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POST-WAR ECONOMIC POLICY AND PLANNING

HEARINGS

BEFORE THE

U.S. Congress, House

SUBCOMMITTEE ON AGRICULTURE AND MINING
SPECIAL COMMITTEE ON POST-WAR ECONOMIC
POLICY AND PLANNING

HOUSE OF REPRESENTATIVES

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

AND

SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

H. Res. 408 and H. Res. 60

A RESOLUTION CREATING A SPECIAL COMMITTEE ON
POST-WAR ECONOMIC POLICY AND PLANNING

PART 5

AUGUST 23, 27; DECEMBER 15 TO 18, 1944; APRIL 25, 26;
MAY 24, 1945

POST-WAR AGRICULTURAL POLICY

Printed for the use of the Special Committee on Post-War
Economic Policy and Planning



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FOREWORD

The fourth report of the House Special Committee on Postwar Economic Policy and Planning, issued September 8, 1944, contained a brief discussion of the principal problems of agriculture in the post-war reconversion period.

Shortly after the publication of that report the Subcommittee on Agriculture and Mining undertook a series of hearings to investigate further the problems discussed in the fourth report. As a first step the subcommittee felt it was important to inquire into the longer range goals toward which our agriculture should seek to reconvert. Without a clarification of our objectives in this field it seemed clear that no constructive national policy could be developed other than one of temporizing with immediate problems and complaints.

The subcommittee's inquiry was begun on August 23, 1944, with testimony from Secretary of Agriculture Claude R. Wickard and War Food Administrator Marvin Jones. After receiving statements from these two administrative officials, it was felt that a canvass should be made of the views of the leading nongovernmental students of agricultural problems.

The bulk of these hearings therefore record the views of some of the people who have been associated with programs for agriculture and have made exhaustive studies of its problems. In inviting its witnesses to appear at the hearings, the subcommittee asked for suggestions upon four basic questions:

1. Basic long-run policies to lessen instability of income resulting from variations in production and in demand;
2. Basic policies to place agriculture on a satisfactory self-sustaining basis in long run;
3. Policies to promote higher levels of consumption and nutrition; and
4. Relationship between our foreign trade policy and domestic agriculture policies.

On the basis of this testimony the subcommittee plans to reexamine the major goals to be sought in framing agricultural legislation to the end that specific laws may be coordinated and directed toward more definitely understood goals. One of the assignments of the House Special Committee on Postwar Economic Policy and Planning has been that of studying and reporting to the Congress upon the basic components of a coordinated postwar economic policy for the Nation. It is the plan of this Subcommittee on Agriculture and Mining to examine the problems of agriculture from the points of view both of the farmers themselves and also of the national well-being and the attainment of our goal of a stable and prosperous economy, one which preserves, protects, and promotes freedom, enterprise, and high attainment.

The views expressed in this report of hearings contain valuable contributions to this end.

(Signed) ORVILLE ZIMMERMAN,
Chairman, Subcommittee on Agriculture and Mining.

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POST-WAR ECONOMIC POLICY AND PLANNING

WEDNESDAY, AUGUST 23, 1944

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AGRICULTURE AND MINING
OF THE SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 1304, New House Office Building, Hon. Orville Zimmerman presiding.

Present: Representatives Zimmerman (presiding), Voorhis, Murdock, Colmer (chairman of the special committee), Worley, Reece, Hope, O'Brien, Wolcott, and Wolverton.

Also present: Marion B. Folsom, director of staff, and G. C. Gamble, economic adviser.

Mr. ZIMMERMAN. The subcommittee will come to order.

This is the first meeting of the subcommittee on Agriculture and Mining of the Post-War Economic Policy and Planning Committee. Due to the importance of agriculture in our national economy now and in years to come, we felt that we should consider the problem of agriculture before we took up a program for the future of mining.

The committee, at an informal meeting a few days ago, decided that it would be proper to open this study with representatives from the Department of Agriculture, and we have invited the Secretary of Agriculture and members of his staff to come here and talk with us about the future problems of agriculture and the part that agriculture must play in our economy of tomorrow if we are to have a healthy economy in our Nation.

I see the Secretary present, and if there is no objection, we will open the hearing today by hearing from Secretary Wickard, of the Department of Agriculture.

STATEMENT OF HON. CLAUDE R. WICKARD, SECRETARY OF AGRICULTURE (ACCOMPANIED BY HOWARD R. TOLLEY AND BUSHROD ALLIN, OF THE BUREAU OF AGRICULTURAL ECONOMICS)

Secretary WICKARD. Mr. Chairman, and members of the committee: I am glad to have an opportunity to appear before this group. It is most encouraging to know that your committee, which is interested in all phases of the Nation's post-war problems, is so deeply concerned with agriculture. I am especially glad to be able to present some of agriculture's problems to a group with such broad interests, for the essential condition of a sound post-war agriculture in this country lies outside the field of agriculture proper. It is full employment in

this country which, in turn, is partially dependent on expanded world trade and full employment in other countries.

Until recently American farmers have been concentrating their energies on converting agriculture to a full wartime basis, and today full production for victory remains their chief concern. They have produced bountifully for war, under heavy handicaps. Now they are beginning to ask what the future will hold for them in the years after the war. Not only in justice to farmers, but in the interests of our whole population, this Nation must have an adequate and sound post-war program for agriculture. We cannot afford to stand by and allow farmers to fall into the same pit they fell into after the last war.

People in the Department of Agriculture already have done considerable thinking about the place of American farmers in the post-war world. We have, I believe, singled out the main problems, even though we don't even pretend to have all of the answers.

Most of the post-war work to which I refer has centered in the Department's Interbureau Committee on Post-War Programs established in 1941, a few months before we got into the war, and in the allied efforts of specialists in the Department's Bureau of Agricultural Economics. Regional committees made up of field representatives of the Department and of representatives of the Land Grant Colleges, have worked closely with this committee. The Interbureau Committee already has made good progress in assembling a supply of information on probable post-war situations as they will affect agriculture. Also it has given much thought to measures which might be used to cope with some of the situations which may arise.

Naturally, most of my remarks will deal with economic phases of the question. I want to make it clear, however, that our basic concern in planning for agriculture in the years after the war must be with people, not trade balances or price levels. A sound post-war pattern for agriculture must mean abundant food and fiber for consumers and security and a good way of life for farm families. Economic methods for reaching those objectives are of great importance, but only as a means to an end.

The problems which will confront our post-war agriculture are many and varied. Most of them are difficult; they will require careful consideration. But when peace comes one central problem, overshadowing and affecting all of the others, will confront American farmers and indeed the whole Nation. That problem is how to make good use of the tremendous productive capacity of our farms.

This year the Nation's farmers, with a smaller labor force than before the war, are achieving a production level about one-third higher than that of the peacetime period. Their post-war capacity to produce will be even larger, as more materials become available for new farm machinery, equipment, and fertilizer; and as hundreds of thousands of strong and skilled farm operators and workers return from the armed forces or war industries.

If we are able to find use for all of that huge productive capacity, the remainder of our farm problem, serious as some of its aspects are, will be manageable. If, on the other hand we fall very far short of putting to use all that our farmers are able to turn out, the prospects for our agriculture and indeed for our whole national economy, are dark.

Our agriculture will enter the post-war period geared to a high domestic demand growing out of wartime full employment and the great needs of our armed forces, and a high foreign demand based at present largely on lend-lease operations. From the experience of the past few years, we know what large production, fully matched by effective demand, can mean to American farming and farm people. Prices for nearly all farm products are good. The present average is about 15 percent above parity, and 80 percent above the average for the 5 years ending with 1939. Farm income is the highest in our history.

There is no question as to our continued—or even increased—ability to produce. Nor is there any serious doubt that in the years after the war the people of this and other countries will need, for their well-being, all of the farm products we can turn out. The real question is whether we can maintain effective demand for our full agricultural production—in other words, not whether all our farm production will be needed, but whether it will find a good market.

In general, the pattern of our wartime farm production is in line with probable post-war needs. Most of the production increases we have made during the war have been in the right direction—milk, eggs, vegetables, and other protective foods that people need in larger quantities. There will be some products, of course, notably the vegetable-oil crops, in which we shall need to make downward adjustments when they again are available from the parts of the world which produced them so heavily before the war.

As I see it, three conditions must be met to assure a demand for all of our farm production on a sound, permanent basis. First, and most important, is full employment in this country at fair wages and salaries, so that people will have the money in their pockets to buy the farm products they want and need. That, incidentally, is the reason why agriculture is so deeply interested in the nonagricultural problems your committee is considering. Full domestic employment would provide a market for most of the things our farmer will be able to produce.

But it would not provide a market for all of them. Tentative estimates indicate that even full employment in this country would require the output of fewer acres than are under cultivation this year. Those estimates, I wish to point out, assume that the efficiency of our farm production methods will continue to improve. American farmers never have stood still with production techniques and I see no reason why they would or should start now.

The second condition to be met is assistance to low-income families in obtaining more food and textile products from our farms. Under present income patterns, even full employment would fail to give millions of families the buying power to purchase enough of these commodities. Government programs to increase food and clothing consumption—along the lines of the food-stamp and school-lunch programs—will be of great assistance in keeping our farm plants running at top capacity, as well as making it possible to have all our citizens properly nourished and well clad.

Such programs would help a lot, but probably even they would not close the gap between our agricultural capacity to produce and demand for our farm products. So the third of the conditions that must be met is a reasonable level of farm exports. Such a level can

be achieved, provided a pattern for healthy world trade is worked out for the post-war years.

That is an aim much easier to talk about than to accomplish. The outlines of the problem, however, are fairly clear when we examine the main points of world trade in relation to agriculture.

By now, I believe, it is widely recognized that this or any other nation can hope to maintain a profitable and steady flow of exports only to the extent that it takes a corresponding volume of imports. It is also recognized that to shut off imports results not only in a damming up of exports, but also in a slackening of domestic employment and purchasing power.

We shall need to export a certain volume of farm products that people of other nations want and are in a position to buy. To achieve such exports will require a vigorous and well-conceived national policy for both imports and exports. In the case of imports, for example, we must plan carefully the type of products we want and need and not reluctantly accept what may be thrust upon us.

Indiscriminate dumping of large amounts of agricultural products on foreign markets would soon lead to retaliation and new and more restrictive trade barriers. The most promising long-term solution of the export problem for farm products lies, it seems to me, in cooperation with other exporting and consuming nations to increase world consumption and assure each exporting nation of its fair share of world markets. An example of this type of action is the international wheat agreement, to which this country is a party. Such agreements, of course, should fit into a general framework for increasing world trade.

Without full domestic employment, supplementary steps to increase consumption in this country and expanding world trade, the best farm policies and programs that could be devised would be more pain killers than cures. Even price support, necessary and effective as it often can be, is by no means in itself a permanent cure-all.

Our discussions in the Department of Agriculture, of course, have included the probable effects of failure to reach the desired levels of domestic and foreign consumption of our farm products, or for delays in attaining them. However, we have approached possible long-term programs on the assumption that we must come at least close to full employment. We have reached the conclusion that, should we fall far short, the only possible answer would be, not only a forcible and drastic reduction in the living standards of farm people, but a great reduction in the living standards of the whole Nation. Plans doubtless could be made to soften the effect of such a disaster, should it occur, but defeatist and bankrupt ideas of that nature are not the kind of post-war plans we should concern ourselves with now.

We have been dealing thus far with the conditions that must serve as the basis for any construction and lasting set of post-war programs for agriculture. Most of these have concerned national, rather than strictly agricultural, policies.

Now, I want to outline briefly what I believe should be the dominant aims of our policy for agriculture itself.

1. Full production at maximum efficiency: Full and efficient production must be the basis of our farm policy; to curtail over-all production or fail to use the most efficient methods would be to admit defeat. If the nutritional and clothing needs of the people in this country and our logical customers abroad are completely met, all of

our present farm plant and the utilization of the most efficient production methods would be required. There would, however, have to be some shifting among crops and livestock products, with greater emphasis on some and less on others. The ever-normal granary idea should be expanded, both as a means of storing part of the yields of years of plenty against years of lower production, and as a means of stabilizing the income of farmers.

2. Equal living standards for farm and city families: By this I mean that a farm family should enjoy a way of living comparable to that of a family of equal capacity and industry which derived its income from business or industry. Parity prices for farm products should be only one possible index of whether this aim were achieved. Parity income would be another yardstick. The objective also includes parity of public services and of facilities for rural people, such as housing, health services and hospitals, schools, and rural electrification. An adequate social security program for farm workers, including self-employed farm operators, also should be developed.

3. Equal protection for all types of farmers: No sound farm policy can fail to recognize that the needs of farmers vary greatly according to the size and nature of their operations. Price and income supporting programs should be part of national farm policy, for there may be delays in reaching effective demand for all farm products, and almost certainly there would be times when demand for some products would temporarily fall off. Just as farmers have an obligation to produce all that consumers need, the Nation has an obligation to protect farm incomes in times of depressed prices. But price protection, although of the greatest value to commercial farmers, would mean little or nothing to farmers who marketed only small amounts. Some of these small farmers need technical advice as well as other assistance. Others need special assistance in moving up the agricultural ladder from tenancy to ownership. Families on small unproductive farms need assistance either in obtaining part-time jobs off the farm or in acquiring sufficient land to support them decently. Nearly all farmers need adequate credit facilities, but widely different types of credit are required.

4. Soil conservation and improvement: These are basic needs, in spite of all the worry over what to do with our large production. After all, we not only need soil conservation to insure efficient and continuing production, but also to encourage stable rural communities and allow the development of adequate facilities for rural living. Agriculture cannot be stabilized until the soil is stabilized. To insure continued efficiency of production, as well as to guard against future scarcity, we must do far more than we are now to defend soil against erosion; to preserve and improve the fertility of our present high yielding soils; and to see that low-yielding and sub-marginal lands are used wisely.

5. Conservation and improvement of forest resources: The Nation's forests, on both public and private land, constitute a great national source of industrial materials, rural employment, and recreational facilities. These resources are being depleted under present practices on much private land, but they could and should be replenished under proper practices. These include proper harvesting, adequate planning, cultural and other methods, and improved protection against fires, disease, and insects. Also they should include development of

uses and marketing methods that will encourage farmers to grow forest products on land which is best adapted to such use.

6. Encouragement of the family sized farm: This aim is not included as a pious hope, based on sentimental grounds. It is based on a belief that the Nation needs the social stability of millions of farm families on their own land, and a belief that the family sized farm results in better rural living without any sacrifice of efficiency and production. The family sized farm is especially well adapted to the efficient production of many farm products, especially when the operators work together through cooperatives. It should be part of national policy to strengthen the family sized farm through adequate credit programs and other means.

7. Retirement of submarginal land and reclamation and cultivation of potentially good farm land: The fact that in the immediate future there seems to be no need to substantially enlarge our farm plant does not lessen the urgency for retiring land too poor to yield a decent living to other uses, and for opening part or all of the estimated 30,000,000 to 40,000,000 acres of productive farm land which can be made available through irrigation, drainage, or clearing.

8. Improvement in the marketing of farm products: Necessary improvements in this field cover a wide range, and would benefit both farmers and consumers. Some of those improvements should be expansion of farmer-operated marketing cooperatives, elimination of waste in marketing, further elimination of interstate trade barriers, additional storage and marketing facilities, and construction of more farm-to-market roads.

Fortunately the means by which some of the agricultural objectives already mentioned can be reached tie-in closely with the attainment of full national employment. Improved medical care, for example, is among the services most urgently needed if rural living is to be brought on a par with urban living. Development along that line, to be anywhere near adequate, would require the services of thousands of doctors and nurses, and the construction of hundreds of rural hospitals and dispensaries. There is a great need for better rural housing. On less than a million of the Nation's 6,000,000 farms are the houses up even to a minimum adequacy measured by urban standards. More than a million rural homes are really beyond repair, and many other types of farm buildings need repairs or replacement. The possibilities of an expanded program of rural electrification are almost limitless. Electricity is needed both as a home convenience and as an aid to farm production. Despite all of the gains of the past 10 years, only 4 out of every 10 of the Nation's farms yet have electricity. The remaining need opens a great field for development.

Some of the heavy operations of soil, water, and forest conservation, such as building terraces and dams and improving forests could and should require much labor and equipment. It has been estimated that even the minimum amount of work now required in our forests would require the services of half a million men working a year each. These and similar badly needed improvements comprise a sort of shelf of rural works projects. Some of them can be accomplished by private enterprise if domestic employment continues high. If it should show signs of slackening, such projects could become the basis of a sound rural public-works program.

In conclusion, I want to sound a warning against any belief that there can be any sizable back-to-the-land movement after this war. I am afraid that a good many people have the idea that there will be places in agriculture for millions of returning veterans and persons who leave war plants. There have been such movements in almost every country after almost every war. In this country, after this war, agriculture will offer no large-scale possibilities along that line. A substantial number of our men now in uniform came from farms. That number will be about sufficient to fill the gap left when women, children, and older farmers drop out of farm work after the war. There is every reason to believe that a somewhat smaller, rather than larger, farm labor force will be needed to turn out full farm production.

As we have seen, even under the most favorable conditions, it will be no easy matter to maintain and improve the living standards of family already on the land. We cannot afford again to think of agriculture as a refuge or national poorhouse in times of economic difficulty.

Mr. Chairman, that concludes my prepared statement. The members of the Interbureau Committee on Post-War Programs for Agriculture have prepared statements which elaborate upon the many points that I have covered in my prepared statement. I don't know whether this committee will have time to get into all of those today, but I think they will be needed for future reference and study by the committee or others who may be interested in the post-war problems of agriculture, and I would like to suggest that they might be inserted in the record so that they will be available for study.

Mr. ZIMMERMAN. Have you those statements available, Mr. Secretary?

Secretary WICKARD. Yes; we have. We have those statements available. Mr. Smith, who is chairman of the Interbureau Committee, will make them available to the clerk, if you so desire.

Mr. VOORHIS. The only thing is, Mr. Chairman, we might like to hear some of the people who prepared those.

Secretary WICKARD. Yes; I meant to say—I did say, I believe—that I don't know whether you will have time to hear all of them today or not. There are about 12 or 13 of them. Some of the men who prepared them are here.

I thought, in the questions you might ask, we might have some of these people respond by giving you part or all of the statements, depending upon the interest and wishes of the committee.

Mr. HOPE. I assume that those statements elaborate on and amplify and make more specific the general suggestions and recommendations you have made, sir, in your statement.

Secretary WICKARD. That is right, sir.

Mr. HOPE. And I presume, if we should ask you some questions which would require more specific detailed discussion of what you have said here, that some of the men you have who prepared these statements, will be prepared to answer those questions.

Secretary WICKARD. Yes; that is right. I will be glad to turn to them on any matter on which you require more detail than I may have in my own mind.

Mr. COLMER. Mr. Chairman, if I may suggest, it might be a good idea to have suggestions from the committee as to which particular

phase of this matter they want to go into, and then the Secretary could designate——

Secretary WICKARD. I could read you a list of the various papers or topics, rather, which have been prepared. I believe they are up there before you.

Mr. ZIMMERMAN. Have you another list available?

Mr. VOORHIS. Mr. Chairman, I would like to make a suggestion for the consideration of the committee.

I would like to suggest that we take a reasonable length of time in order to give us an opportunity to ask questions of the Secretary right now, and then that we include the statements in the record and try to inform ourselves as to what the various statements cover—we can have lists of them—and then that we might decide to call different people on different ones of these subjects to testify, not necessarily to read their whole statement, but to have a little discussion on that subject.

Secretary WICKARD. May I say that these statements have been condensed from studies which have been made by the members of the Interbureau Committee or the committees which have been working on the particular subjects. They are brief and will not take very long if you want to hear them.

I didn't want to come up here and insist on all of them being read this morning, because I didn't know how much time you might have.

I want to say to you, Mr. Chairman, that we in the Department of Agriculture are most happy to have this opportunity of presenting our views on the subject of this committee and would be most happy to stay here as long as you care to question or hear us.

Mr. MURDOCK. Mr. Chairman, I notice that one of these, the second on the list, appears to answer directly the first thing I want to put to the Secretary, perhaps more than answers it. I wanted to ask the Secretary regarding the prospects of further farm mechanization, especially for the small farms.

Mr. ZIMMERMAN. We will go into that gladly, but I think we should first determine whether we want to place in the record at this point the 12 statements which have been condensed from studies which the Secretary has proposed to put in the record at this point.

Mr. HOPE. Mr. Chairman, wouldn't it be better, perhaps, as Mr. Voorhis has suggested, to go ahead and interrogate the Secretary on some of the things he has brought out, and that will bring out some of the matters covered in these discussions, I think, and then after that we can perhaps determine whether we want to include these discussions just as they are or some of them, or perhaps as to some of them the subject may be brought out on the discussion.

Mr. ZIMMERMAN. I think that is a very fine suggestion and we will defer that suggestion until you have had the opportunity to answer questions of the different members of the committee.

Do you gentlemen have any questions you would like to ask the Secretary?

Mr. HOPE. I have some questions that I do want to ask at this time. I hardly know just where to start. I have not numbered the questions.

You mentioned the matter of export markets, and, of course, you mentioned the very obvious statement that if we export we have got to import also.

I just wondered if anyone in the Department had made a study of possible export outlets for farm products during the next few years and had included in that study also what we might be expected to have to accept in return for those exports.

Secretary WICKARD. Yes; we have made that study, and that study is included in one of the papers here which has to do with agricultural full employment.

I think that we, perhaps have talked more about the amount that we might expect to export rather than the amounts of particular commodities which we might export or import; that is, we have talked in terms of dollars or percentages of our total exports. I think the Department has even gone into some studies of the particular commodities, but we did not include it in this paper because that is pretty much in detail.

Mr. Allin is here and he might give you some information along that line if you wish to hear it.

Mr. HOPE. I would like very much to have some summary of what the Department considers to be our possibilities as to customers, not only as to—

Secretary WICKARD (interposing). Do you want it in dollars or percentages, or by commodities?

Mr. HOPE. I want types of products, amounts, and destinations, particularly.

Secretary WICKARD. Do you have with you this morning that much detail on types of products, amounts, and destinations?

Mr. ALLIN. What we have done is to study the relationship between our past customers and changes in national income. That was the basis on which we made our estimates; and on one assumption; on the assumption that we maintain full employment, maintain price levels at about what they were in 1943. We might expect national income in a year after the transition of about \$150,000,000,000 which is about what we had in 1943.

Now, if we have that kind of national income, and if we have full employment, on the basis of relationships that existed in the past, we might expect to export about a billion dollars worth of agricultural products.

Now, how do we arrive at that? Normally—I say normally, for many years in the past—our exports of agricultural products—I will put it this way: From about 1925 to 1929, our exports of agricultural products have represented about 37 percent of our total exports.

From 1935 to 1939 they represented about 25 percent of our total exports.

Now, looking ahead to a true post-war year, which we would say arbitrarily 1950, we estimate that that percentage of our total exports will probably decline to about one-sixth and the reason the percentage of our total exports would decline is that that is in line with a long-term trend which has existed since, oh, way back, 1850. We have some data on that from the statistical abstract which might be useful to you.

So we say that if our agricultural exports in 1950 are one-sixth of our total exports and we export \$6,000,000,000 worth of goods, which is about the volume we would export at that level of national income on the basis of past relationships between exports and national income, if we export about a billion dollars worth, that would probably be distributed between the various commodities—well, it is awfully

difficult to say how much each commodity would represent of that total, but we think perhaps about 3½ million bales of cotton and about 75,000,000 bushels of wheat, but it is very difficult to build up a billion dollars worth of agricultural exports by looking at the prospects for each commodity.

Take cotton, for example. In the case of cotton, we have got the competition of synthetic fibers coming in, and competition of other countries going into cotton production, the willingness of other countries to sell at lower prices than we are willing to sell at. You can raise that figure anywhere from three and one-half to seven million bales, depending on what you think our policies might be, but if you were going to export a billion dollars worth of products in 1950, about 3½ million bales of cotton is about all we can get in that total, and we don't see how, if the situation in the future follows past relationships at all, our total exports would be much more than a billion dollars.

Mr. ZIMMERMAN. May I interrupt you at that point?

Mr. ALLIN. Yes.

Mr. ZIMMERMAN. Would you supply a total there of our cotton exports over a period of years, at that point in the record?

Mr. ALLEN. Yes, sir.

Mr. ZIMMERMAN. A long period?

Mr. ALLIN. Yes, sir; we have them.

Mr. ZIMMERMAN. So that the trends may be shown, as a supplement to your statement as to what we might hope to export?

Mr. ALLIN. Yes, sir; that would be shown.

(The matter referred to is as follows:)

TABLE 1.—*Total United States cotton exports, by crop seasons*

[Bales: 500 pounds gross weight]

Season	Bales	Season	Bales	Season	Bales
1850-51 to 1859-60 ¹	2,360,000	1923-24.....	5,815,000	1932-33.....	8,895,000
1860-61 to 1864-65 ²	138,000	1924-25.....	8,240,000	1933-34.....	7,964,000
1870-71 to 1879-80 ¹	2,846,000	1925-26.....	8,267,000	1934-35.....	5,636,000
1880-81 to 1889-90 ¹	4,258,000	1926-27.....	11,299,000	1935-36.....	6,267,000
1890-91 to 1899-1900 ¹	6,165,000	1927-28.....	7,857,000	1936-37.....	5,689,000
1900-01.....	6,800,000	1928-29.....	8,419,000	1937-38.....	5,976,000
1910-11.....	8,027,000	1929-30.....	7,035,000	1938-39.....	3,512,000
1920-21.....	5,973,000	1930-31.....	7,133,000	1939-40.....	6,505,000
1921-22.....	6,348,000	1931-32.....	9,193,000	1940-41.....	1,174,000
1922-23.....	5,007,000				

¹ 10-year average.

² 5-year average.

Source: Division of Statistical and Historical Research, Bureau of Agricultural Economics.

A billion dollars worth of exports would represent about one-seventeenth of the gross farm income that might be expected under under those conditions. In other words, we might expect about a \$17,000,000,000 gross farm income, one billion of which—well, it would be less than a billion—something less than a billion would be represented by exports. Most of it would be production for home consumption, and that seventeen billion would compare with about twenty billion gross income in 1943.

Now, that is under the assumption of full employment and the 1943 price level and a \$150,000,000,000 income.

Mr. ZIMMERMAN. Mr. Colmer, do you have a question?

Mr. COLMER. I think the gentleman answered my question.

You said based on a \$150,000,000,000 national income. Did we get up to one hundred and fifty billion in 1943?

Mr. ALLIN. About one hundred and forty-eight billion, just about.

Mr. COLMER. Well have we any grounds or justification for hoping that we will have one hundred and fifty billion income in the next few years—be able to maintain anything like that?

Mr. ALLIN. Well, sir, as a—

Mr. COLMER (interposing). I may be taking you too far out of your particular field, but it seems to me that in making your assumptions, they are just a little broad.

Mr. ALLIN. All right; let me contrast that statement and the consequences to agriculture in that assumption with another assumption which we have also made.

We are not forecasting in this analysis; we are trying to see what the situation of agriculture would be under different assumptions. Let us say, as you have, that that is a very optimistic assumption, just for the sake of discussion.

Now, let us assume that we have 7,000,000 unemployed instead of full employment, which would represent about the same proportion of the total labor force unemployed as it was in 1940. Now, if that is the situation that prevails in 1950, prices would not then remain as high as they were in 1943. They would probably decline.

Now, assuming they fall to an average of what they were between 1938 and 1942, if we have 7,000,000 unemployed, then the national income would not be \$150,000,000,000; it would be \$110,000,000,000. And, with \$110,000,000,000 national income and 7,000,000 unemployed—I forgot to say a moment ago that under this assumption of full employment, farm prices would stand at about parity on the average—under the assumption of 7,000,000 unemployed, farm prices would fall to less than 90 percent of parity, but gross farm income would fall to about \$12,000,000,000, which is about one-third less than what it would be under full employment, and the net farm income would fall to half of what it would be under full employment.

Now, we can go on with another assumption, and instead of 7,000,000 unemployed, we have 15,000,000 unemployed, and if we have something like that, our national income might easily fall to sixty or sixty-five billion, and farm prices might fall to 55 percent of parity, and the gross farm income might fall to five or six billion, which would be a very bad situation.

Now, I lay these out and you can draw your line that you expect anywhere between those three sets of assumptions, if you want to forecast.

Now, coming back to your question, "What have we done to show how much we might export," the net result of our study is this: That because of the fact that agricultural products, our agricultural products, do not enjoy the same technical superiority over the products of other competing countries as do our manufactured products such as automobiles, et cetera, for us the real prospect in foreign trade lies not in any great expansion of our agricultural exports, but in a great expansion of our total exports, thereby providing jobs for surplus people on farms.

Mr. VOORHIS. May I interrupt you at that point?

Mr. ALLIN. Yes, sir.

Mr. VOORHIS. Is there any possibility of such an expansion of our total exports unless there takes place, in view of the great importance of the American market relative to other markets in the world, a corresponding increase in the volume of our imports?

Mr. ALLIN. No, sir.

Mr. VOORHIS. And can there be a corresponding increase in the volume of our imports without causing domestic unemployment unless we have a policy of high national income and full employment, such as you and the Secretary have been envisaging.

Mr. ALLIN. That is right.

Mr. VOORHIS. In other words, the possibility of agricultural exports depends directly upon our pursuing a policy of full employment at home.

Mr. ALLIN. That is right, sir.

Secretary WICKARD. That is right, sir.

Mr. WORLEY. Does the gentleman have any suggestions as to how we may procure that full employment at home?

Mr. ALLIN. That is a broad question.

Mr. VOORHIS. May I ask one question on that point? May I ask you this: Would you say that, for the sake of agriculture, it would be necessary or sound policy for us to say that to the extent unemployment could not be avoided by other and better methods—and I think there are better methods—we should provide for public works employment to the extent necessary?

Mr. ALLIN. Yes, sir.

Mr. COLMER. May I ask a question right there, Mr. Chairman?

Mr. ZIMMERMAN. Yes, sir.

Mr. COLMER. That raises a rather broad question, doesn't it: the ability of the country to finance a long, large, voluminous public works program?

Mr. ALLIN. Are you asking—

Mr. COLMER (interposing). I am asking you if there isn't a limit to which the Federal Government can go in the expenditure of public funds, consistent with maintaining the faith and credit of the Government.

Mr. ALLIN. Well, sir, I should say there undoubtedly is a limit; but I should also say that there are ways by which we can do, as a country, as a nation, what needs to be done to maintain full employment.

In other words, you are taking me just a little bit out of my field here into the whole problem of Federal financing, but I believe there are better ways. I think one of the first things that should be done is to do everything possible to stimulate private employment. If after that has been done, there is still unemployment and private enterprise cannot fill in the gap, then there are techniques of Federal financing by which it can be done by public funds.

Mr. MURDOCK. May I ask a question at that point?

Mr. ALLIN. Yes, sir.

Mr. MURDOCK. Doesn't it depend pretty largely upon the nature of those public works. Some public works are made work; leaf-raking, gravel scratching, and that sort of thing which merely keeps people from starving. I hope that we never have to resort to that again. Other public works are in the nature of investment. Some of them

indirectly return value paid out, as in public roads and that sort of thing. Still other public works are revenue producing from the start, and wealth-producing, and form the basis of new wealth. Such public works are not limited as Chairman Colmer has indicated, to such an extent as are the made works.

Mr. ALLIN. Yes, sir.

Secretary WICKARD. May I add one other point to what you have just said?

Mr. MURDOCK. Yes, Mr. Secretary.

Secretary WICKARD. There are some which are self-financing or self-liquidating, like the rural electrification program, which means that not only will the fund be paid back, but a tremendous increase made in the manufacture of goods or the production of farm products.

Mr. VOORHIS. May I ask a question at that point?

Is there any reason why the sovereign nation should be required to sell securities to provide for the money which the banks create to finance a Boulder Dam which will pay back its entire cost over a period of years, with interest? Is there any reason we could not finance a Boulder Dam on a noninterest basis in the first place?

Mr. ALLIN. The main thing is that isn't our custom.

Mr. VOORHIS. Is our present custom a sound custom?

You need not answer my question. Every time we begin talking about full employment this question is always coming up. But to the extent that any amount of money which might be put in circulation can be matched by corresponding production, thus avoiding any increase in the price level, there is no reason why the interest-bearing public debt should be increased to put that money in circulation, regardless of the purpose for which it is done.

Mr. COLMER. Mr. Chairman, I just want to apologize for getting the gentleman so far out of his own field, but I did want to again sound a note of warning and to be on record that, in my opinion at least, the answer to all of this post-war condition is not public-works programs.

Of course, there is a place for a public-works program, and this committee has spent a lot of time making recommendations along that line. So many people, Mr. Chairman, approach the subject with the idea that we are going to solve all of the post-war problems by putting on a gigantic W. P. A.

I don't think that is the answer to it, and I again apologize for having gone so far afield.

Mr. VOORHIS. Mr. Chairman, may I say that I don't think that is the answer either. I think it is only the last resort, and there are other things which may be done first and should be done first.

Mr. WORLEY. I don't apologize, if I started that line of questions, because I think it is very germane and pertinent to the subject.

As I understand, your suggestion is that public works would be a portion, not the total, of the economic panacea we are trying to find. You take the position that it is just a part?

Mr. ALLIN. May I make a brief statement on that?

I think, from the standpoint of public policy, if you look back to what we have been doing since 1933 when we came into the depression, we had no plans for public works to relieve unemployment. It has been customary in this country—using the term “customary” again—for public works, in the sense of State and local public works, to decline

at exactly the same time that private income and private employment decline.

Well, the Federal Government was the only agency powerful enough financially to come in and fill in the breach when we had large-scale unemployment. The cities and counties were not in position to do it.

Now, looking ahead, if not only the Federal Government, but the States and the localities will plan their useful public works—not leaf-raking—so as to time them with fluctuations in the business cycle, a real contribution to stabilization and the maintenance of employment will be made. But it is not the whole story at all, as Congressman Voorhis has said. There are a lot of things that are fundamental and come before that, but it is one of the answers.

Mr. WORLEY. Do you believe that the prosperity we are now enjoying is a healthy prosperity?

Mr. ALLIN. A healthy prosperity?

Mr. WORLEY. Am I getting you out of your field?

I will elaborate on that. We are going on the three assumptions you make, one of which is 7,000,000 unemployed in, say, the next few years. It seems to me that is the most logical and practical assumption, because we had it prior to our entry into the war and I think we will revert to it. We will be facing, assuming that is true, the same conditions that prevailed in 1939 and 1940. Did we have seven or nine million unemployed?

Mr. ALLIN. We had about that number in 1939.

Mr. WORLEY. If the war had not come along, don't you think we would still have the same number of unemployed?

Mr. ALLIN. If the war had not come along, we would certainly have had a larger number of unemployed, yes.

Mr. WORLEY. At least that many?

Mr. ALLIN. Probably.

Mr. WORLEY. Do you recommend we take the same steps to guard against such an unemployment figure as we were taking when that condition actually existed? What steps did we take to relieve that unemployment?

Mr. ALLIN. Well, what really relieved that unemployment situation was the advent of the war.

Now, that prosperity is unhealthy in the sense it is a wartime prosperity: but I wouldn't go so far as to say that, as a nation, we couldn't do other things than have a war to maintain full employment.

Mr. WORLEY. Say that again?

Mr. ALLIN. I wouldn't say we could not, as a nation, eliminate that large-scale unemployment which we had before the war without going to war.

Mr. WORLEY. Of course, that is the answer we are trying to find, how to do it without a war.

Mr. ALLIN. Well, there are just lots of things. If you want me to talk on that subject, I will give you my ideas on it.

Mr. WORLEY. I don't want to burden the committee.

Mr. ALLIN. I think there are a lot of things. I think our tax policies, for example, should be improved from the standpoint of providing the proper incentives to private enterprise. I think that the Government could do something to give incentives to small business and control the expansion of monopoly. I think that an

expansion of the Social Security System would make a contribution toward the maintenance of employment.

Mr. WORLEY. Were those steps taken in 1939 and 1940 when we had that unemployment?

Mr. ALLIN. Were they taken? Not adequately, no, but that is getting us really out beyond. I am just giving you my opinion. I think, as a nation we could, by following sound policies, promote private enterprise by other means at our disposal and reduce unemployment much below what it was just before this war broke out.

Mr. ZIMMERMAN. May I suggest at this point that we have another subcommittee on public works; maybe we had better leave the question of public works for that subcommittee?

Secretary WICKARD. May I add, Mr. Congressman, in further reply, that I think one of the things we are going to have to do is to have freer international trade than we have had in the past.

To answer your question of what we could do: All of the restrictions against international trade were not of our own making, you understand, but I do hope that, out of the peace settlement, we can have an exchange of goods and services between nations which will help all nations. I think, as I said in my talk, that our prosperity is related somewhat to world prosperity, and, vice versa, world prosperity is related somewhat to our prosperity.

I hope we can improve that condition compared to what it was before war broke out. At that time some countries were trying to get on a self-sufficiency basis to prepare for war. If we can have the right kind of peace, surely we can do a lot. Other nations make things we don't make but which we need. If we could have that kind of exchange, it would help a lot.

Sometimes it doesn't seem to me to take too much of a chunk to keep the wheels from rolling, but does take a large chunk to make them roll. We have to look on the Government in that way; not something which furnishes the big means to keep the wheels rolling, but something to keep the chunk out.

Mr. WORLEY. Then you don't think we can have prosperity here at home without freer and more foreign trade?

Secretary WICKARD. No, sir; not the kind of prosperity I am talking about.

Mr. WORLEY. A healthy prosperity.

Mr. ZIMMERMAN. Mr. Hope, I am sorry your line of questioning was interrupted. Have you further questions?

Mr. HOPE. I do want to ask Mr. Allin some further questions. Right at this time I would like to ask the Secretary what he thinks the prospects are for a freer international trade in the future.

The thing that disturbs me is that apparently many nations are going to operate on some system of government control of trade. We know Russia operates that way, unless they change their system, and everything we hear now indicates that Great Britain will operate on a basis of government control of exports.

The condition of many of the countries in Europe which have been in the war is going to be such that they will probably have to control foreign exchange in order to maintain their own financial systems; that would mean that there would have to be control over exports and imports.

I am wondering if you agree with that, and, if so, whether you still think that there is an opportunity for freer international trade. I am

in perfect agreement with your thought that we ought to have it, but I wondered what you think about the possibilities for securing it.

Secretary WICKARD. I agree with you when you say that there is a tendency by some nations, at least, to go to what we call a policy of state trade. I think it might be called state control of trade.

It is difficult for farmers to meet that sort of international trade situation. Perhaps there will have to be some help from Government to private exporters and enterprisers to cope with other nations which are dealing on a state basis. I think that is one of those things that perhaps will have to be covered in international discussions at one time or the other.

You spoke about other nations being burdened by war debts and so on. Of course, you must remember that other nations are going to have great destruction and great depletion of a lot of their resources.

As I said in my paper, I believe we can come to an understanding about some of the things we need from other nations and enter into a policy of exchange.

For instance, it occurs to me that we might well buy much of our potash abroad in large quantities. We are going to need potash, in my opinion, in increasing quantities in this country to keep up production. We ought to keep our own deposits and import largely from Europe. Germany and Alsace-Lorraine have large deposits.

I don't see why we shouldn't say: We need your potash; you need some of our commodities. Why shouldn't we work out an exchange that will be helpful to both?

I think that does perhaps require some of what I might call state planning, not state operation. I think none of us want to see private enterprise eliminated because it is to all of our interests to see that private enterprise be given every opportunity. I think there does have to be some international planning on that line, and that is why I was hopeful, to answer your question, that we might expand our international trade despite some of the difficulties in the picture if we recognize them and try to meet them.

Mr. ZIMMERMAN. May I interpose there, Mr. Hope?

Mr. HOPE. Yes, sir.

Mr. ZIMMERMAN. You gave the example of importing potash from foreign countries. How does that fit in with the suggestion that we must have full production at home? When we talk of full production we are not only talking about agricultural production but about all other phases of production. What is going to happen to our pit owners and producers here at home?

Those are the things we have to face. In one breath you say we must have full production. It seems that everybody is agreed on that. We don't want to extend this doctrine of scarcity. Yet if we hold down production of, say, that commodity at home and import that commodity from another country in order to give a sale for some products that they need from our country, it looks as if we are doing violence to the very thing we have been trying to perform.

Secretary WICKARD. My point there is, using potash as an illustration, that the quantities of potash in this country, so far as we know, are not unlimited; that is, we may at some future time run out of potash if we use all of the potash we see available now. Also, I think if we used all the potash we have, we would find that it would be at a higher cost than it could be obtained from other countries.

Therefore, I say why not save the potash for times of emergency and obtain potash from other countries that have it in large quantities and can produce it cheaper than we? We can say to other countries, "There are some things we can produce cheaper than you, automobiles, for example." If we could work out a policy of exchange it would be to the profit of those countries. Some countries can produce some articles more cheaply and have a better product than other countries. We ought to work out an exchange that would not decrease the total economy in one country but would enlarge it.

Mr. HOPE. Of course, in the past we have done a good deal of that, unconsciously, through our tariff laws.

We have accepted the fact that other countries can produce certain things more easily or cheaply than we can or that we cannot produce some things at all. We have governed our foreign trade under that sort of a program, and that has been the policy right up until now.

As far as this country is concerned, we have not just decided that we wanted to import certain quantities of certain materials, except war materials. Before that time, we sort of ran the thing rather loosely, without any conscious effort to control imports or exports.

But, if other countries are going to follow that method, how far do you think we have to go, then, in accommodating ourselves to the methods they use?

That is the whole history of the country as far as foreign trade is concerned.

Secretary WICKARD. Well, of course, if all countries go nationalistic, we will have to go nationalistic, too. However, I am hoping other countries won't go nationalistic if we exert the right kind of leadership.

Mr. HOPE. I am, too, but we will have to accommodate ourselves to what the rest of the world does if we trade with them.

Secretary WICKARD. Yes; but we ought also to be in a pretty strong position of leadership.

I am hoping some of those restrictions you are speaking about can be removed. I hope there are no new ones erected, as I said in my statement, because I think, if we are not careful, there might be that tendency, especially if we start to dump a lot of our products abroad and other nations start doing the same thing, we will get in some of the same trouble we were in. We were putting up trade barriers and relying on bilateral agreements and the operations of cartels.

Mr. MURDOCK. Will the gentleman yield for a question?

Mr. HOPE. Yes, sir.

Mr. MURDOCK. We accept it as a truism, then, that exports must balance with imports or imports balance with exports. Your assistant mentioned cotton and wheat as exports. Possibly he had others in mind, but he didn't name them.

You have mentioned potash.

I find myself in agreement with you. I wonder if you or the assistant would like to mention any other possible imports?

Secretary WICKARD. Well, there are, of course, tropical fruits in the field of agriculture, which can be produced in other countries and cannot be produced here; or some of them in better quality.

Then I think we ought to consider perhaps some of our mineral resources as something we ought to keep here pretty well in reserve and think about some importations. It is not only oil that I have in

mind. I am not too well versed in some of these things, but I understand there are other minerals which we are going to need in great quantities which other nations can produce and have been producing.

We have been using some of them during the war.

I don't know of anything else right now.

MR. ALLIN. That is about it, as to agricultural imports, of course, do not compete—most of our agricultural imports do not compete with our own production; coffee, rubber, bananas. Now sugar does.

MR. MURDOCK. And rubber will.

MR. ALLIN. All right; and silk, and so on.

Now, during the war, we have been depleting, as the Secretary says, a lot of our mineral resources, and we might look to increasing importation of some of those products. I think that the point that we haven't brought out clearly yet is that this term "full employment" that we have been talking about, as such, does not depend on any particular level of international trade. What we want is full employment at an expanding level of living.

Let me illustrate what I mean. Take bananas and coffee. The most extreme nationalistic viewpoint would not say that we should quit importing bananas and coffee; that we should grow them in our own country. Well, we could grow bananas and coffee in greenhouses and it would cost a lot and give employment to a lot of people growing coffee and bananas. Obviously we wouldn't do that.

To shift to a choice between making more automobiles to sell to foreigners and producing more cotton, if you are up against a situation in which your outlook in the cotton industry is not bright, might it not be better as a national policy to take some of the people who are growing cotton and put them to growing things others do want and will buy from us rather than to continue growing cotton at a level at which we could sell previously, but at which we cannot sell any longer?

In other words, what we want is full employment at an expanding level of living.

MR. ZIMMERMAN. I think we have had before our full committee a great number of economists and experts in business, and they all tell us that we must, if we are to maintain a healthy economy in our country after this war is over, in order to carry on paying the interest on our national debt and take care of the veterans' needs under legislation that has already been passed by Congress, and to provide for the necessary operation of the Federal Government and to reduce the national debt slowly, we are going to have to have a national income of approximately 150 billions of dollars; we have been told that that is a "must."

In other words, we have got to meet that requirement unless disaster stalks in our way as we go along. That is what they tell us.

Now, I want to ask this question, because I think it has a bearing on agriculture:

We must have full production, we say, full employment at a wage that people can live on according to certain standards. We must have those things.

Now, taking in the field of agriculture, how much of our over-all production can we consume at home? All of it?

MR. ALLIN. Well, these estimates I just gave you as to what we would consume at the prices assumed were that we would be exporting only about 10 percent—no, only about—well, the products of

16,000,000 acres out of the total of 326,000,000 acres; about 5 percent; 95 percent of it we would be consuming at home.

Mr. ZIMMERMAN. How much agricultural products would we be importing, then?

Mr. ALLIN. We would be importing in dollars and cents about twice as much as we would be exporting, but most of that is noncompeting production.

Mr. ZIMMERMAN. But American consumption would be more than total American agricultural production?

Mr. ALLIN. That is right.

Mr. ZIMMERMAN. That 5 percent of cotton, wheat, or butter that we export, that plays a very important part though in our economic structure, doesn't it?

Mr. ALLIN. And particularly in the economy of the people who produce those particular products. That is where the shoe pinches, the cotton grower, the wheat grower, who is on that export market.

Mr. ZIMMERMAN. Now, we can't have that full production at home you say we must have unless we, by some means, establish trade relations with our neighboring nations whereby we can get rid of that 5 percent you are talking about, and, of course, get from them a corresponding amount, which you say will be more than we send them, of imports.

Now, that is one of the problems we have got to solve if we keep up maximum production and full employment at adequate wages, and prices which will keep the national income up to that 150 billion which we have been told is absolutely necessary if we carry on successfully.

Mr. ALLIN. And the Bretton Woods conference was directly related to that problem. That, of course, takes you out down another alley.

Mr. ZIMMERMAN. Yes; that is true.

Studying this agricultural problem then, do you think you would put our export problems with other countries as the major problem we have to solve, or one of the major problems?

Mr. ALLIN. Oh, I would say it is one of the major problems. I wouldn't say it is the major problem.

Mr. ZIMMERMAN. If we do not solve it, we are going to——

Mr. ALLIN (interposing). You can say, "if we don't solve it," but you can turn around and say if you don't solve other problems you are going to be in awful shape, too.

Mr. ZIMMERMAN. We are dealing with agriculture. This committee is trying to find out what to do to promote a healthy agriculture in this country.

Mr. ALLIN. At any given time—and I don't know whether today is that time—that problem of the right trade relations with foreign countries may be the limiting factor in achieving this whole goal, but after we get that, if we don't do other things, we might still fall down.

Mr. ZIMMERMAN. There is an old saying that first things must come first. Is that right?

Mr. ALLIN. That is right.

Mr. ZIMMERMAN. If that is one of the first things we must tackle in the interest of a healthy agriculture in this country, that is the thing we ought to direct our energies and thoughts to.

Mr. VOORHIS. I think this is pertinent to what Mr. Zimmerman has just been asking. Isn't this true: that if we fail to maintain a full home market, then we are going to be up against the necessity of trying to get rid of more than 5 percent of our agricultural production?

Mr. ALLIN. That is right.

Mr. VOORHIS. And, as a corollary to that, isn't this true: that if America maintains a high level of national income and national purchasing power, that even if other nations do go nationalistic, as we said a while ago, assuming that the American home market is at a high level, isn't it true that, in all probability, it will be possible to conclude mutually advantageous trade agreements with other nations to take care largely of this problem of the necessity of disposing of this surplus of 5 percent of our agricultural production?

Mr. ALLIN. Another way of saying that is that the American economy, in the total world economy after this war——

Mr. VOORHIS (interposing). Is so important——

Mr. ALLIN (continuing). Is so important that what we do at home to stabilize conditions at a high level will contribute more to expanding this trade we have been talking about than any other single thing.

Mr. VOORHIS. Not only that, but if America has a high level of economy at home so that we are not afraid of imports—our markets being that important—we will offer such advantages to other nations that we should certainly be able to conclude agreements with them which will take care of the problem Mr. Zimmerman was bringing up before.

Mr. WORLEY. May I ask one question?

Mr. ZIMMERMAN. Yes, sir.

Mr. WORLEY. In your plans for exports and imports, I suppose it would be necessary for the Government to determine the production of these given agricultural commodities.

Mr. ALLIN. No. This analysis I just presented was based on a no-support basis, no-support program, no-Government direction of it.

Now, the necessity for these things comes in just to the extent the situation does not turn out the way we have indicated. What I am trying to say is that when I said the volume of exports we might expect in agriculture would be about a billion dollars, that was based on the relationship between national income and exports in the past, which goes clear back to the 20 years between 1920 and 1940 when we did not have any Government programs of any kind, but there are problems that have been created by this war, as the Secretary mentioned, products we have deliberately expanded, such as peanuts and flax, and one thing and another.

Regardless of whether the thing works out the way I have indicated, we are going to have some adjustment problems in these particular commodities. You would have to have that much Government assistance and direction.

Mr. WORLEY. But your idea is no Government regulation at all; let the cotton farmer produce all he can produce, all he wants to produce; the wheat farmer produce all he wants to produce?

Mr. ALLIN. All I am saying is that under those assumptions there would be a market abroad for about 3½ million bales of cotton. Whether the cotton farmers, through their Representatives in Congress, are going to say, "We want to export more than that," or "We want to produce more than 13,000,000 bales," which is all we

could produce if that was all the market we would have, that is something else.

It may produce a demand for a program which would support the price above what it would sell for at the prices I have assumed, or which would store cotton and make use of it in various ways other than through the normal export market. Whether you will have those or not is another question. All I was indicating is what you might expect under those general assumptions with those programs.

Mr. ZIMMERMAN. You say the farmer should be permitted to produce all the cotton he wants to in this full production period?

Mr. ALLIN. I said that, if we had a national income of \$150,000,000,000 and full employment, cotton prices that would clear the market would be about 13 cents a pound and that we would be willing to export about $3\frac{1}{2}$ million bales, and the total demand would be for about $13\frac{1}{2}$ million bales. Now, whether that is going to be satisfactory to cotton growers or not, we have no way of knowing.

Mr. ZIMMERMAN. Suppose, when this war is over, they adjust their spindles in foreign countries, a great number of spindles in foreign countries, to the manufacture of other products like rayon and other synthetics instead of to the weaving of cotton—

Mr. ALLIN (interposing). We have taken that into account as far as we can.

Mr. ZIMMERMAN (continuing). And suppose further that under this expanded program of manufacturing farm machinery and even financing foreign countries to go into the cotton-producing business, they raise a lot of cotton and they are going to enter that world market and want some manufactured products which they need for cotton—won't they do that?

Mr. ALLIN. Yes; if you have full employment conditions and if cotton prices are at about what I indicated, the tendency would be for surplus cotton growers to seek nonfarm employment. You would have a comparatively tight labor situation under the full employment assumption rather than a heavy surplus labor situation which you would have under conditions of large-scale unemployment.

All I can say is that we have framed these assumptions and taken into account the relationship of opportunities in industry for our surplus farm labor, and we have taken into account, as nearly as we can, what we think is going to happen in the rayon and substitute textile developments in making those estimates. They may be wrong. They are tentative, and as we make other analyses, they will be revised, of course.

Mr. ZIMMERMAN. Are there any further questions?

Mr. MURDOCK. Mr. Chairman, I have a number of questions. They come flocking.

The Secretary said something about the subject of the ever-normal granary, that it should be extended or developed.

May I ask for a clear statement of what that concept is of the ever-normal granary, either from the Secretary or Mr. Allin?

Secretary WICKARD. Well, I think of the concept of the ever-normal granary as being very similar to the one we had before the war and which has been so useful to us during our war production of agricultural commodities, the wheat and the corn and the cotton and all those staples which cannot be stored. This, it seems to me, ought to constitute our ever-normal granary.

Mr. MURDOCK. It does not really imply an economy of scarcity?

Secretary WICKARD. Oh, no, sir. The ever-normal granary implies a stabilized supply of products for consumers at all times, and it does get away from rapid fluctuations in supplies and prices.

Mr. MURDOCK. It may mean, however, that some producers are restricted, leading to what some persons have said is regimentation of farmers?

Secretary WICKARD. Not necessarily. I think that, as you know, during the war we have had no restrictions on production. The only governing of production has come about through price, and I think in the future much will depend on the price as to what farmers want to produce as to kinds and amounts. I don't think the ever-normal granary necessarily involves any restriction on production at all.

Mr. MURDOCK. I didn't know whether I understood it or not, but I thought I did. If it is what I think it is—and you are confirming the opinion I favor it, but I have heard so much criticism of the thing or policy, or something that it is held up as being, that I am just wondering about it.

The American farmer is an individualist; he doesn't want to be restricted. We are talking here about full production; turn them loose and let them produce. Well, that is what I favor, but what is the danger of a crushing surplus as soon as the starved world gets filled with food and fiber? Are we in danger of running into trouble with some surpluses again?

Secretary WICKARD. That danger involves, I think, first, what we produce which goes back to the incentive to produce; and, second, what we can consume in this country and what we can export abroad. The danger of surpluses arises, it seems to me, out of those two factors, our ability to match demand with our capacity to produce.

Mr. MURDOCK. In other words, we haven't really had overproduction in food and fiber?

Secretary WICKARD. Not from the standpoint of need; no, sir.

Mr. MURDOCK. I think you are exactly right about that, but if technology goes on at a rapid rate and we produce more and more relatively, is there any danger of a possible overproduction?

Secretary WICKARD. Yes, sir; there is that danger. Again it comes back, as I said, to whether or not we have an effective demand or not. If we have an effective demand, and people's needs are met, I think that danger is remote, but if we don't have an effective demand here and we don't have exports that we should have, then there is a possibility of producing more than the effective demand will take; not more, I want to say again, than people need.

Mr. MURDOCK. I should like to know the best thought of your department on this matter of new crops and new uses for old crops. I think possibly that may be brought out in No. 2 on the list you have.

Secretary WICKARD. Yes, sir; there is one of the papers that covers that at least in part.

Mr. MURDOCK. What are the prospects of chemurgy, for instance? That is one of the big questions.

Secretary WICKARD. I will only answer generally, and maybe one of the other men might want to go more in detail.

There are always, of course, new uses for our farm products. For instance, one of the most startling developments to me is the new uses for wood products, which, of course, in a way is part of our

agricultural production. We are now rapidly discovering new uses for wood as a source of construction material, new chemicals, and things like that.

No one, can, of course, fully perceive what all the new commercial developments might be. On the other hand, no one can conceive how much synthetics will take the place of other materials which will increase the demand for agricultural products. One might offset the other. That is anybody's guess.

Looking at it purely from the standpoint of what the commercial developments might be, I don't think we should be too optimistic about finding a lot of new outlets for agricultural products, especially when we see how substitutes may replace some of our agricultural products.

Mr. MURDOCK. Do you think synthetic fibers might seriously compete with cotton?

Secretary WICKARD. It depends on price relationships, I suspect, and if our prices on cotton are too high, it is always easy to find a substitute when prices are high on any product.

I think there is grave danger that synthetics will play a more important part in our fabric production than they have in the past.

Mr. MURDOCK. Mr. Chairman, I had jotted down here as the first question the matter of mechanization on the farm, that is, the small farm.

Now, the Secretary has indicated that agriculture cannot take very many of the returning veterans, or has no place for a back-to-the-farm movement. I can see that; and yet it is in the air. A lot of veterans will want to go on the land, and we are taking some steps toward making it possible for them to do so.

If the small farm is mechanized, and the production is correspondingly increased, it will make it necessary, will it not, that we find other uses for farm products?

Secretary WICKARD. Yes. One of the papers which we have goes quite into detail. It might be of interest sometime, at least to this committee, to have that paper given. Some other members of the committee asked questions about it.

First, as to veterans, I meant to make the statement in my paper that agriculture will offer an opportunity for a great number of veterans, perhaps as many as have gone into the armed forces, for replacement of older people and women and children. I didn't mean to say that there will be no opportunity. There will be a great demand for those boys to go back to the home farm and home community.

A great many of them want to go. Some of them may not want to go and that may let war workers who want to return have an opportunity to live on the land.

What I was trying to say, though, is that there is no possibility, as I see it, for us to put a large additional number of workers on the land as compared with what we have now, or had before the war started, without lowering standards of living, because, after all, we are going to have about the same amount of agricultural income and, by putting more people there, the share for each will be less.

Mr. ZIMMERMAN. Right at that point, I read with interest a statement that among the wives and women who are working in the war plants today 6 out of 10 of them want to remain in those jobs.

Now, when these boys get back, should they remain in those jobs, where are those veterans going to go? Are they going back to the land?

Secretary WICKARD. I said that if we absorb a large additional number of workers on farms, we can expect to lower the standard of living on the farms, because the income from work on the farms will be necessarily less.

Mr. ZIMMERMAN. That is the very thing you inveigh against?

Secretary WICKARD. Yes, sir.

Mr. ZIMMERMAN. You want to elevate the standard of living on farms?

Secretary WICKARD. Yes, sir; I do. I want to say here before I lose the opportunity, that farm income, including value of things farmers consume, has only been about half of what urban income has been per capita. I don't think we want to further increase that disparity.

There was one further thing you referred to, the use of tractors. I don't think there is any question, Mr. Congressman, but what there is going to be an increase in the number of tractors on farms. It is going to increase farm efficiency, take some of the drudgery out of farm life, and that is well. However, we must recognize that if we increase the number of tractors, we decrease the number of horses and mules which live directly on farm products, which decreases agricultural production again. That is one of the things we have to recognize.

Mr. MURDOCK. That increases the amount of food for human consumption?

Secretary WICKARD. That is right, sir.

Mr. MURDOCK. And increases the need for turning the production to something else that can be used industrially, either as fuel or fiber or something of that sort?

Mr. Secretary, this is a splendid paper, and I want to congratulate you upon the broad viewpoint expressed therein. You are thinking of an improved agricultural society which, of course, depends upon an improved agricultural economy.

There are any number of other questions that come flocking to my mind: Your stress upon health conditions, housing, and that sort of thing. Of course, that means better medical facilities.

Not many months ago a young woman, the wife of a farmer in one of the best agricultural districts of this country, died because they didn't get her to a hospital in time. There is a life sacrificed because of lack, not of goods roads, because in this case there were paved roads, but the distance to an operating room. And it was not a poor family.

Now, that example can be multiplied many, many times.

Secretary WICKARD. May I say there, in line with some of the discussions had here this morning, that I think the providing of better facilities, as you discussed, and better homes, and all those sorts of things, is an investment, an investment in health and happiness and efficiency of our people. To some people it may appear to be only an expenditure, but to me it is an investment—I mean an expenditure with no return.

I hope that most of this may be done by private enterprise, or private investment, but, as I said, whoever does it I think makes an investment without spending money needlessly.

Mr. MURDOCK. I am glad to see you went to the point in this paper of stressing school lunches. We have had that problem before us recently. It might seem strange to some that in an agricultural community, an old and established farming community, school lunches should be furnished.

I grew up in such a community, and I know in the past—and it is blot on American agriculture, or economy, rather—I know that undernourishment does exist in some of the best farming communities of America.

Secretary WICKARD. I went to a one-room schoolhouse too, and I agree with you.

To bear out your statement, Mr. Congressman, when we look at the selective service record we find the percentage of rejects higher in rural areas than in urban areas. I have said that there was more need for better nutrition and better medical care in rural areas than in some of the slums we hear so much about. Not that there isn't need there, but I think we do have slums out in rural areas, although we do have fresh air and sunshine. When we come down to the selective service records, we have to recognize that it is not all as it should have been.

Mr. ZIMMERMAN. Your idea is, Mr. Secretary, that in order to have this full production and full consumption, we have got to do something along the line of free school lunches and planning to absorb in certain areas this full production that we hope for; in other words, we have got to do some things to insure the consumption of this production, this 95 percent we are going to consume here at home, and you consider that a major problem?

Secretary WICKARD. Yes, sir. I do.

Mr. ZIMMERMAN. And that is a program that we can work out here at home?

Secretary WICKARD. Yes, sir.

Mr. ZIMMERMAN. In other words, we may have difficulty in working out proper trade relations with foreign countries and great difficulties equalizing our exports and imports because international questions are involved there. But as to the program at home enabling us to dispose of this full production in order to have full consumption, that is a matter that we here at home can work out and must work out, if we are to attain the objectives you pointed out in this very illuminating and able paper?

Secretary WICKARD. May I amplify just a little? It seems to me that the American people do not want, and would not permit a policy in this country, if they recognize it as having people and land remain idle while other people needed food and fiber for their well-being, despite the fact that the income of some people might not permit them to get it. I think we have to take some means through local, State, or national programs, to insure that as long as our people need it and we have the capacity to produce, both from the standpoint of the people on the farms and the land on the farms, we should see that that is made available through the most practical means.

I don't know whether school lunches or food stamps or all of the things we thought about in the past are the full answer or best answer, but let's attain such state of full utilization of our resources as long as our people need it.

We only expect at the best, perhaps, to export the products from 5 percent of our acres, but the important thing there is that we will have to export more than that, or let go unproduced more than that in the long run if we don't have the high national income that will keep a good market for the 95 percent of our products. And that is where the most important part of our international trade comes in, keeping up the national economy and making it possible for people in this country to have the income to purchase at proper prices the things farmers want to produce.

Mr. ZIMMERMAN. We had during the depression years restricted production and great poverty, great need, and low prices, and it did not solve the problem. We had greater needs then than ever before.

Now, the point is to get the earning capacity in this country and then maintain that, so that they can purchase and then produce.

It is about 12 o'clock. I don't know what the pleasure of the committee is——

Mr. MURDOCK. Mr. Chairman, we have indicated here about a dozen splendid papers that go right to the heart of the problem.

I, at least, would like to see those papers, and I think they ought to be included in the record.

Mr. ZIMMERMAN. A few members have had to go to their offices for a few minutes, but I wonder if we can't come back here this afternoon at 2 o'clock and resume this very interesting hearing and continue these discussions?

I think we had better adjourn the meeting at this time and come back at 2. Is that satisfactory with you and your associates, Mr. Secretary?

Secretary WICKARD. Yes, sir.

Mr. ZIMMERMAN. If that is the case, we will do that, and then we will take up this afternoon.

(Whereupon, at 12 noon, a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m., upon the expiration of the recess.)

Mr. ZIMMERMAN. Come to order.

Mr. Secretary, without objection, we will resume your hearing. At this point I would like to ask a question. Have you available the farm income over a period of years that you could furnish for the record?

Secretary WICKARD. I think we can make that available for the record. I don't know that we have the table right now. How many years would you have in mind?

Mr. ZIMMERMAN. Well, for as long back as you could get available data for the earlier years, in 10-year periods.

Secretary WICKARD. We can supply it from 1910 to date.

Mr. ZIMMERMAN. That will be all right.

Secretary WICKARD. I have a paper here before me that Mr. Wells just gave me, which I believe has that on a cash income from marketing, gross farm income, realized net income, net income from farming to all persons on farms, income of the nonfarm population, also per capita income.

Mr. VOORHIS. What does gross farm income mean? Including the use of the farm home, places of the farm?

Secretary WICKARD. Yes. It includes cash income from marketing, Government payments, value of home consumption, and rental value of dwellings.

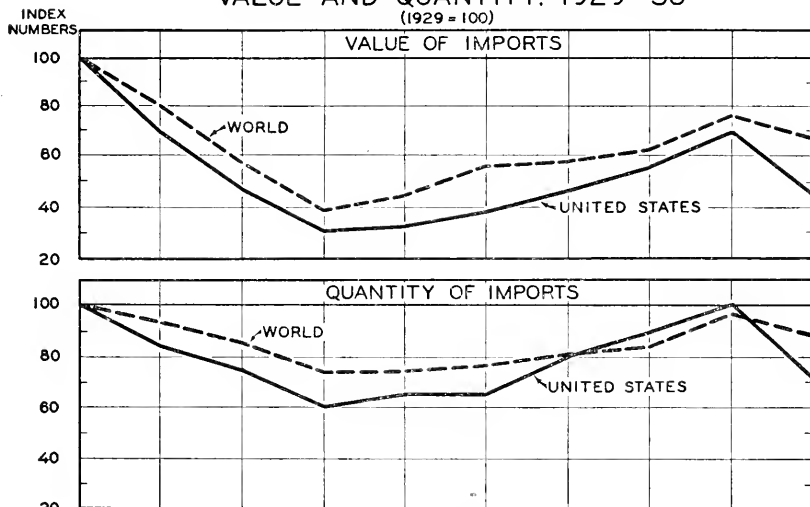
Mr. ZIMMERMAN. Would you mind putting on that some statement that would indicate what these terms mean, so it would be easily analyzed, with a footnote.

Secretary WICKARD. This table does have the footnotes on it.

Mr. ZIMMERMAN. That will be inserted in the record at this point. (The matter referred to is as follows:)

CHART 1

WORLD IMPORTS AND UNITED STATES IMPORTS, VALUE AND QUANTITY, 1929 - 38



WORLD EXPORTS AND UNITED STATES EXPORTS, VALUE AND QUANTITY, 1929 - 38

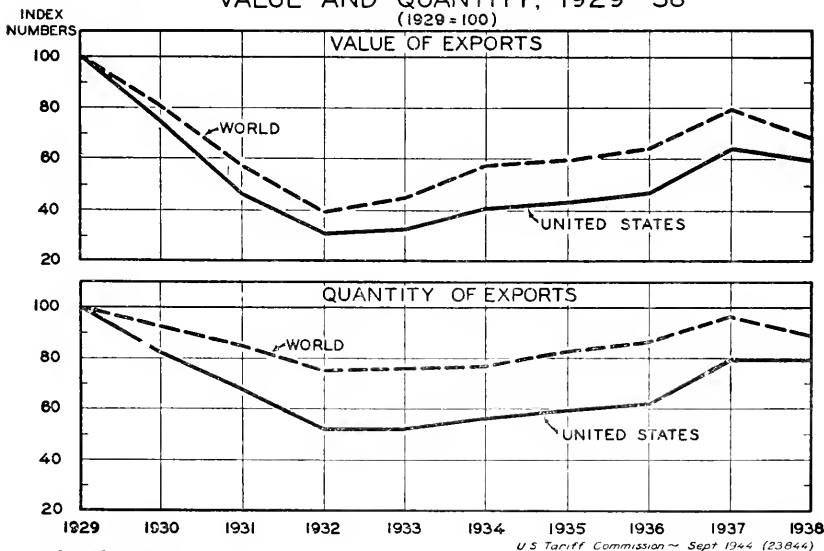


CHART 2
UNITED STATES NATIONAL INCOME, INDUSTRIAL PRODUCTION,
IMPORTS, AND EXPORTS, 1919-38

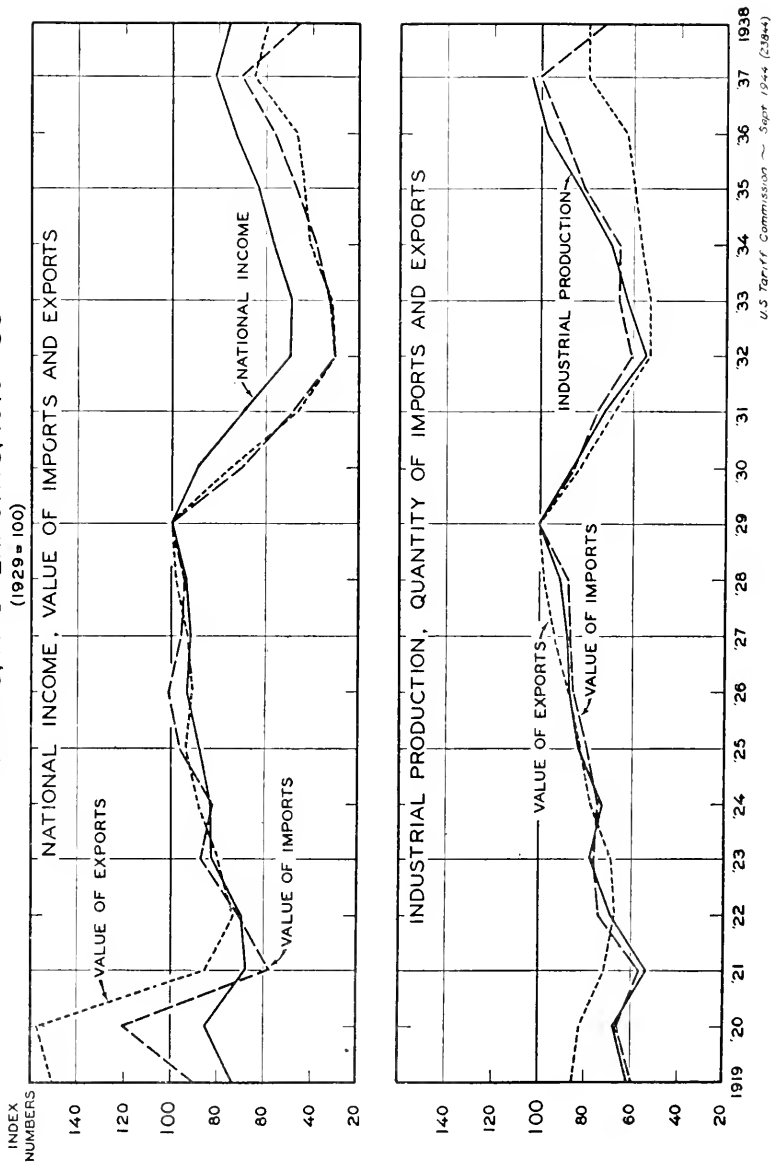


TABLE 2.—*Farm and nonfarm income, 1910-43*

Year	Cash farm income from marketings	Gross farm income ¹	Realized net income ²	Net income from farming to all persons on farms ³	Income of the nonfarm population	Per capita income	
						Farm from farming	Nonfarm from all sources
	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>		
1910.....	\$5,793	\$7,352	\$3,753	\$4,450	\$28,614	\$139	\$482
1911.....	5,596	7,081	3,455	3,915	28,575	122	468
1912.....	6,017	7,561	3,671	4,335	30,121	135	483
1913.....	6,218	7,821	3,786	4,387	33,375	136	521
1914.....	6,050	7,638	3,518	4,516	31,851	140	484
1915.....	6,403	7,968	3,745	4,395	33,859	135	502
1916.....	7,750	9,532	4,687	5,055	39,858	155	580
1917.....	10,746	13,147	7,011	8,329	45,031	258	640
1918.....	13,461	16,232	8,671	9,660	48,461	304	671
1919.....	14,602	17,710	9,249	9,477	56,259	319	762
1920.....	12,608	15,908	6,778	8,368	65,025	265	878
1921.....	8,150	10,478	3,603	3,795	54,538	119	720
1922.....	8,594	10,883	4,057	4,850	55,667	153	718
1923.....	9,563	11,967	4,842	5,608	65,067	180	815
1924.....	10,221	12,623	5,128	5,500	65,071	180	792
1925.....	10,995	13,567	6,103	6,866	68,321	223	812
1926.....	10,564	13,204	5,699	6,617	73,779	216	858
1927.....	10,756	13,251	5,706	6,314	72,188	209	820
1928.....	11,072	13,550	5,695	6,687	74,357	222	830
1929.....	11,296	13,821	6,044	6,741	79,213	223	871
1930.....	9,021	11,388	4,329	5,114	70,259	170	761
1931.....	6,371	8,378	2,744	3,482	56,371	114	605
1932.....	4,743	6,406	1,832	2,285	41,320	74	442
1933.....	5,311	7,055	2,681	2,993	39,013	93	419
1934.....	6,334	8,486	3,759	3,531	45,917	111	488
1935.....	7,086	9,595	4,484	5,052	51,346	159	540
1936.....	8,367	10,643	5,062	5,361	60,346	171	626
1937.....	8,850	11,265	5,139	6,093	65,463	197	671
1938.....	7,686	10,071	4,327	5,041	61,371	165	622
1939.....	7,877	10,547	4,459	5,262	66,253	173	663
1940.....	8,340	10,962	4,617	5,109	73,066	179	722
1941.....	11,157	13,799	6,395	7,542	87,291	252	850
1942.....	15,374	18,474	9,254	11,224	108,964	386	1,039
1943.....	19,252	22,738	12,046	13,665	134,068	491	1,243

¹ Includes cash income from marketings, Government payments, value of home consumption, and rental value of dwellings.

² Gross farm income minus total expenses of agricultural production.

³ Realized net income of farm operators plus adjustments for inventory changes and wages to hired laborers living on farms.

Source: Bureau of Agricultural Economics.

Mr. MURDOCK. Mr. Chairman?

Mr. ZIMMERMAN. Do you have any further questions?

Mr. MURDOCK. I want to ask if someone connected with the Department of Agriculture can tell me about the correlation between national income and the farm income and just the significance of that correlation, if it has any. You have inquired about the national income for the past 30 years, which is available. I am told that the farm income runs pretty consistently, good years, boom times, and depressions, about one-seventh of the amount of the national income. I am just wondering if there is a casual relationship, and, if so, which is the hen and which the egg in that relationship. That has intrigued me a lot, that correlation between farm income and national income, whether we can predict anything from it, or whether we can say the one, being so and so, the other will invariably be?

Secretary WICKARD. There is a correlation, I think, that you spoke about. It has always been argued which is the hen and which is the egg. Perhaps that cannot be settled definitely. I suppose one statement might be made that since the national income is seven times the farm income, that it might be rather a predominant factor; whether,

say, one can be separated from the other entirely or not, I think would not be a truthful statement.

Howard Tolley, would you like to amplify any statement or make any further reply to the question?

Mr. TOLLEY. I agree with the implication of the Congressman's question. I think there is a very close correlation between the two. It isn't always one-seventh, year by year. But we know for sure that when the national income is low, farm income is low. When national income is good, farm income is good, because the consumers of the farmers' products then have the money with which to buy the farmers' products.

On the other side, our farm population of from twenty-five to twenty-seven million out of a total population of 130 million people are the customers, to that extent, of the manufacturers and makers of other things. When they have money, a good income, they buy from the other man. So to keep the income stream rolling, and keep the economy going at full tilt, we can say that we can't have a prosperous agriculture without a prosperous nation. By the same token, we can say that we can't have a prosperous nation without prosperous agriculture.

Mr. VOORHIS. May I ask a question in connection with that? I would like to ask whether the Department of Agriculture, Mr. Secretary, Dr. Tolley, or anybody else, doesn't think it has been generally true that the percentage of national income which has gone to agriculture has been less, on the average, than in equity it should have been? And secondarily, whether one reason for that has not been the fact that in the determination of prices for industrial goods—not only goods, but services upon which the farmer depends, such as transportation, power, other things like that—that those costs have been largely determined or at least in many instances determined by monopolistic control. Whereas the amounts received by the farmer for his crops, generally speaking, have been the prices determined not even in a free market, a market most times controlled by the buyer.

Secretary WICKARD. I will say a word first. Perhaps Howard will also want to make a reply to your question. I think I said today our long-time per capita income for farmers was less than one-half of that for urban dwellers, which seems to answer in the affirmative the first part of your question.

Now I will say this: In agriculture there has been no monopoly. Everything has been more or less on a free competitive basis. I don't think we could say there has been a free competitive basis in hardly any other segment of our economy. There has been in agriculture. There has always been one development—they are not allowed to get together, whether capital, labor, business management, whatever may have been the set, established returns. Usually they are established on what might be reasonable returns. That has not always been true in agriculture.

There is one other factor I rather touched upon this morning, that I would like to call to your attention; that is, it always seemed to me that agriculture was a sort of shock absorber for the Nation whenever it came to a business depression or unemployment; that is, when people could not find opportunity for employment, where somebody said "go back to the land" the people naturally went back to the land. There was no other place to go. Also when business depression, of

one kind or another—there were these artificial means for maintaining prices for everything, and nothing available for agriculture. Agricultural prices went down. People got cheap food. There was no way of holding it up. The farmers went ahead and produced just the same during the years of depression. Our agricultural production went down very, very little. That again shows that, through good products and good prices, agriculture absorbed part of the shock of these depressions in which some of the factors seem to bear out your statement that agriculture has not had exactly a fair share.

Mr. VOORHIS. From 1929 to 1933 farm products declined only 6 percent, but farm prices declined 54 percent, and as to farm implements, which is a rather highly monopolized industry, products declined 88 percent and declined in price only 12. I just happen to carry those in my head. They illustrate what you just said.

Secretary WICKARD. Do you want to say something, Howard?

Mr. TOLLEY. I have nothing to add. This is simply to amplify.

There is another reason for this low average per capita income of farm people. That is the make-up of our farms and our farm population. You see of these 6 million farms that the census enumerates, only a little over 3 million of them are what we call commercial farms. That includes all of the big farms, the plantations of the South, the corporation farms of our West, and all of the family farms down the ladder as far as those which in 1940 had a gross income of \$600. That just takes 3 million and a little more of our farms. The other 2½ million or so are enumerated as farms, but they are small. They are part-time farms. Part-time farmers aren't so bad in times like this. They have jobs elsewhere. A great many of them—what, for want of a better term, we call subsistence farms—have little acreage, poor land, consume all they produce or nearly all that they do.

Mr. VOORHIS. Dr. Tolley, when you say these 3 million farmers include all that have \$600 income in 1940, is that gross income including the value of the use of the farm home?

Mr. TOLLEY. No. That is the value of the sales; cash income from farming.

Mr. VOORHIS. May I ask one other question?

Mr. MURDOCK. Yes.

Mr. VOORHIS. I want to ask somebody, the Secretary, I guess, whether he would agree that the formation of farm cooperatives, as you have stated in your statement, is one of the most constructive methods of trying to resolve this problem of the disparity between farming income and other income?

Secretary WICKARD. Yes; I think it is. And I am in agreement with the policy which has been stated by Congress that we should foster the farm cooperatives.

Mr. VOORHIS. How do you think we should foster it?

Secretary WICKARD. I think the methods we have used in extending credit is perhaps the first thing that is most important. Second, at every opportunity we should give the sort of education to farmers that they have to have to know what the objectives of a true cooperative are and how they may best be operated and controlled.

Mr. VOORHIS. You don't mean the Government should actually form the co-ops and participate in them?

Secretary WICKARD. No.

Mr. VOORHIS. I don't either.

Secretary WICKARD. We couldn't do that. It has got to be farm operated and controlled or they will lose their effect.

One other thing: I think I testified this morning that cooperatives enable farmers who operate family-size farms to have more efficient methods of production, such as larger types of machinery, better sires, maybe warehouses, things of that kind, so they can have for themselves through group action as efficient production as they would have if they were a larger unit themselves.

Mr. ZIMMERMAN. One question, Mr. Secretary. I want to get your view on the contention that is made by a great many people that a lot of our cooperative effort—such as grain elevator, or maybe a flour mill or a cotton gin, or some other cooperative enterprise engaged in by farms; that is, a large group of farmers get together and conduct this business—do you think that they should be required to pay taxes to local, State, and Federal Governments as private enterprise that is engaged in the same business and with which the cooperative is competing? That has been advocated by a great many people. I want to get your view on it.

Secretary WICKARD. They do pay property taxes the same as any other enterprise. There has been, as you know, some discussion of whether they will not be subject to corporation taxes growing out of the refund they make to their members.

Mr. ZIMMERMAN. Yes.

Secretary WICKARD. I cannot share that view, because, after all, they are operating a business, and they are sharing in the operations of that, and that goes back to each individual farmer. That is not, as I see it, the typical corporation type of operation.

Mr. ZIMMERMAN. I see.

Secretary WICKARD. I think there is quite a little argument about that at the present time. I am glad you asked the question. I don't think we would want to put them in the same class as corporations as far as taxes are concerned. I think you would automatically stop all of the cooperatives in the country. That would be very unfortunate.

Mr. ZIMMERMAN. There is some considerable agitation on the part of certain groups that they should be taxed as an ordinary business enterprise. I wanted to get your view as our Secretary, and as one who has sponsored these cooperatives, as to the soundness of that contention.

Mr. VOORHIS. May I ask a question at that point?

Mr. ZIMMERMAN. Yes.

Mr. VOORHIS. I carried on something of a debate by correspondence with Mr. McCabe, who is the shining light of the National Tax Equality Association. In reply to my last letter he simply said he thought he had already said all he had to say. But the essential thing in this question, it seems to me, is the attempt on the part of these people who, in my judgment, are seeking to destroy farm cooperatives, to try to make a case that money which is only held in trust by the cooperatives to be paid out to its members should be taxed like ordinary corporate income. If you don't tax that money, then the farm cooperative has hardly any money at all.

Secretary WICKARD. That is right.

Mr. VOORHIS. And if they taxed that money held in trust for members, they would destroy it throughout the country and do something unconstitutional as well.

Secretary WICKARD. I agree with you.

Mr. REECE. Are you through? May I ask a question?

Mr. ZIMMERMAN. Yes.

Mr. REECE. It was brought to my attention this morning. This is somewhat foreign to the study which this committee is making. Possibly this is not within the purview of the Department of Agriculture. But since the subject of taxes has been brought up, it called to my attention the matter of the tax replacements by the Tennessee Valley Authority to the counties and other strata of government within the T. V. A. area. A bill, as you probably know, was passed by Congress a few years ago authorizing the T. V. A. to make certain payments by way of substitution for taxes which private property acquired. The T. V. A. paid. It was placing a very great financial burden upon the counties.

The information which came to me indicates that when a power line or rather a facility which was acquired by a private company has been replaced by a new line or new facility, then the tax replacement payments by the T. V. A. to the counties are reduced; that is, when new lines or facilities are instituted for the old ones which were held by the private company, no replacements, no tax replacements, are made. This is very greatly reducing these tax replacement payments to the counties and will eventually do away with them altogether. It has become a matter of very great importance to some of the counties this year, particularly the farmers. That is why it came into my mind at this time. In view of the drought in that whole east or middle Tennessee area, many farmers will have no income, no net income, and will be in the red very much as result of this year's operations. The taxes are going to be increased in order to make up the reduction of T. V. A. tax replacement measures. I have taken the matter up with the Tennessee Valley Authority since they proposed the original tax replacements and was only able to get them made after considerable effort. I don't have very much hope of getting any cooperation from the T. V. A. on this matter. I don't know whether some appropriate agency in the Department of Agriculture gave some attention to it by way of being of some assistance to the rural counties in this respect, it would help. I am not really asking a question. I am simply calling the matter to your attention. I hope the Department has found some way of furnishing feed for the dairies and other livestock down there. I am inclined to think that maybe the seriousness of the situation in that particular area has not been fully impressed upon the Department, because it is really very, very bad. Many of the farmers won't make their seed, much less their fertilizer, this year.

Secretary WICKARD. I think the War Food Administration has been discussing and considering that problem. And when Judge Jones appears before you, he may be able to answer your question in that regard in more detail than I could.

Mr. REECE. At the risk of taking too much time, I would like to make one other observation. This does have to do with this general subject of inquiry. That is with reference to the system of marketing tobacco. The markets are established in the various cities. Warehouses are constructed, and the tobacco cannot be sold until the companies send buyers. Then, of course, the Department of Agriculture enters into it. Until the Department sends graders, a

market can't be built up, and without the company sending buyers down. The companies can, therefore, elect to send buyers to one market and not to another market. They can send one set of buyers to one market and send two sets of buyers to a market nearby. That means one market is got up at the expense of the other. Heretofore the Department of Agriculture has not seen fit, officially, at least, to use its influence in the question of the number of sets of buyers that are furnished markets. That means that the farmers in one area are forced to take their tobacco to another market to sell it. One market will be congested. The tobacco will be waiting to be lined up, so it will require probably 4 or 5 days to get it on the floor. Another market will dry up the same day, due to the fact they haven't got buying facilities for that market. This means that the companies can discriminate, if they wish, between the cities where the State line is close between the States, in recognition of certain considerations that they might have received, or by reason of political influence that might be brought to bear. This is of very great importance to the tobacco growers. I have talked many times with the appropriate official in the Department of Agriculture, because there are certain conditions down in the burley area which are particularly aggravating and a source of great disturbance to the growers.

Likewise the warehousemen—it very vitally affects the whole tobacco products operation. The companies stand in the position of a kind of quasi public service in connection with these tobacco buyers. I feel that is something the Department can very well afford to give more attention to. When the Department has graders standing in the same position, you have in your hand the reason whether you withhold or send graders to a market to build up or destroy a tobacco market. And likewise, you have the power to determine what market the grower shall be forced to sell his tobacco upon. That becomes a very great responsibility, both on the Department of Agriculture and likewise, I think, on the part of tobacco companies, by reason of the system of selling tobaccos. I am not going into any particular cases. I do have some in mind. I expect to discuss it with Mr. Kitchen and others concerned at some other time. I might even want to trespass upon your time some in connection with the matter.

Secretary WICKARD. All right, sir.

Mr. ZIMMERMAN. Mr. Wickard, there is one question I would like to ask you. I think we all agree that we must have full production on the part of agriculture, as we must have full production on the part of industry. I note that the National Cotton Council of America has established a department for the purpose of discovering new uses for cotton and for cotton products. I don't think there is any doubt but what that organization is making a valuable contribution to the cotton industry and will help enable the cotton farmer to produce more cotton.

What is being done, if you know, in regard to other agricultural commodities, such as wheat, corn, the other major crops?

Secretary WICKARD. As you know, Congress authorized the erection and establishment of four laboratories. Those laboratories are located in California, one in Peoria, Ill., one in Philadelphia, one in New Orleans. The one at New Orleans, of course, deals largely with cotton.

Now those laboratories are following every suggestion that they think is worth while in trying to find new uses, because they were

established for that purpose. I want to say that to a great extent, however, during the past 2 or 3 years, the laboratories have helped out in the war effort. We have talked to various Members of Congress, the Appropriations Committee in particular, about how we were requested by the Army or by the Navy to develop new techniques for production of war materials and Congress has seen fit to have us do that. But I look forward when we can go back on a peacetime basis of seeing a number of things developed by the different laboratories. I just wish that a member of this committee could visit these laboratories, because they could see what able scientists we have there and what things have already been accomplished, which will be of great assistance in finding uses for agricultural products.

Mr. MURDOCK. In what lines do they specialize? You speak of cotton in New Orleans.

Secretary WICKARD. The western laboratory is concerned with fruits. The one at Peoria is concerned with corn and soybean products. The one in Philadelphia has to do with, I believe, some poultry products and tobacco and perhaps some fruit work. For instance, among the things they have developed at Philadelphia laboratory has been the use of apple juices, apple products as a substitute for glycerin, which became very scarce, but which was used in the making of cigarettes. The one at New Orleans, as I said, has been largely confined to cotton.

Mr. ZIMMERMAN. In the program of all our production, don't you think consideration should be given as a possible war program to expanding this program—in other words, these laboratories—and try to make it possible for them to make further contribution to the production of agricultural commodities?

Secretary WICKARD. Yes, I think so. I am very anxious to see those laboratories and other experimental work and research work continued because I think in those developments lies a great hope for agriculture, both from the standpoint of utilization and development of of agricultural products.

Mr. REECE. Pardon me. I read in the paper only today or yesterday that a Senate committee would make a study of the rayon industry. And I judge from the report that it would be made with a view of determining to what extent it encroaches upon certain phases of agricultural products. I think I have rather an unprejudiced point of view on that, coming from the part of the country that I do. It would seem to me—I want to get your reaction on this—that the opportunity for agriculture lies in exploring and developing new uses and not retarding the development of other industry. I rather regret to see a contest develop between the rayon industry, using it as one of the synthetic products, and agriculture. I don't feel that there is any contest or at least should be between the two.

Some of the rayon processes are utilizing agricultural products in the production. So, after all, the income finds its way back to agriculture, but I recognize as the chairman has indicated, that there is a wide field for the development of use for agricultural products in these new fields. I haven't seen anything to indicate that the Department of Agriculture was taking any position in this contest between rayon, for instance, and cotton. I think it is right unfortunate that some of the representatives of the cotton industry in the South should not enter into the rayon industry. The rayon industry has a place in our

economic life. It has come to stay, I presume, until some different industry arises which is competitive and is of equal use.

Secretary WICKARD. I want to say I agree with you that the Department of Agriculture should find facts, produce facts in an unbiased manner; in keeping with what you are saying we have been making some studies to compare the desirability of using rayon and cotton in automobile tires. I think that has been taking place at the New Orleans laboratory. You may rest assured we will give the facts as we see them on a strict comparison. The public, the consumers of the country will have to make decisions as to which one they are going to buy. I don't think we can be in position to come out and say you ought to use an agricultural product simply because we want to keep up the consumption, when some other product might be cheaper and more satisfactory. I think the public has to decide those things. It is all right with me for Congress to make an investigation. I will give all the information we have on any particular subject. I say we try to furnish facts that are not sentiments. In some of these things, sometimes it is a little hard for us to be entirely divorced from the fact that we are an Agriculture Department. But I think we are a little more than that. We represent both consumers and producers in the Department of Agriculture and to do that we have got to give the facts as we see them.

Mr. MURDOCK. Mr. Chairman, I would like to make an observation and ask a question. Not only are we confronted in the future with a conflict between agricultural products, in the natural products and synthetic products as in the case of these fibers, but there is a competition in the natural fibers, is there not?

Secretary WICKARD. Yes.

Mr. MURDOCK. For instance, to what extent is china grass, or whatever it is called—what name it is called by, I am not quite sure. But there are various fibers that might possibly be introduced into this country. Will somebody supply me with the name of china grass?

Dr. TOLLEY. Ramie.

Mr. MURDOCK. Ramie might become a serious competitor of cotton, might it not, if mechanical processes were invented comparable to the cotton gin, and so on, this old fiber that is new to us could be developed?

Secretary WICKARD. Yes; I think that is true. Yet it would be an agricultural product, because it can be grown in the southern part of the country. I understand.

Mr. MURDOCK. This is the question I want to ask, to what extent may we expect soybean milk to compete with cow's milk, for instance?

Secretary WICKARD. I am glad you kept on milk rather than some other dairy product. But I will have to admit that I have tasted or drank some soybean milk that tasted quite a little bit like cow's milk. Maybe if I hadn't been informed as to the name of the product, or the origin of the product, I might have been deceived. I tell you where I drank that product, at Henry Ford's round table out in Dearborn, not very long ago. But I am not too worried about that. I think it is going to be awfully hard to find any substitute for cow's milk, either from the standpoint of nutrition or the standpoint of taste. However, as I said, if the consumers of this country say we want this, it is a more desirable product than some other agricultural product, I don't think we can stand back and say no, you shouldn't make the shift.

Mr. VOORHIS. Mr. Chairman, the Secretary in his statement, which, incidentally I thought was a most excellent statement, has set forth eight points here, beginning on page 4, running up on page 5, which I understand are intended as a general over-all program for agriculture. Now do I understand in the statement that has been prepared, this list of statements, those things are elaborated on?

Secretary WICKARD. Yes, sir.

Mr. VOORHIS. I wonder if I could ask a few questions right now about some of those points? Would that be all right?

Secretary WICKARD. Yes. I was referring to the measures Congress has already adopted.

Mr. VOORHIS. I would like you to be very free as to whether you think that loan period is the best way to do it, what you think should be done after that loan period runs out, what about the future of agricultural price measures?

Secretary WICKARD. What I said in my statement, as you referred to the price-support program, in my estimation that should be retained by Congress, even after the period in which the present measures might expire. The reason for that is that it seems to me it is not only the fair thing to do, from the standpoint of rewarding the farmers for full production, it is necessary to protect consumers because in the long run, if you have to establish prices to farmers, you ought to have established prices to consumers. There will be less chance for fluctuations in markets which are harmful, both to producers and consumers.

Mr. VOORHIS. What machinery do you think should be used?

Secretary WICKARD. I think it depends entirely on the product. If the staples, I think, can be handled by loan programs, such as have been handled in the past; the cotton and the wheat, corn, perishable products may have to be handled quite a little differently, either by direct purchase, making available for low-income families or for exports or in some other manner disposing of perishable products; I don't think they lend themselves to the loan type of program.

Mr. VOORHIS. If you are going to do that for perishables, you must have worth-while outlets for them. Absolutely. Projects like this lunch program, locally sponsored, is important in that connection.

Secretary WICKARD. Yes. I agree with you. Those programs should have been locally sponsored as far as possible, because the local people are entering into these programs, can see their worth, and can use them to benefit most people. They can make a great contribution through one organization or another, providing facilities and help bring these products to the people.

Mr. VOORHIS. Farm co-ops can be of considerable help in this regard.

Secretary WICKARD. Yes.

Mr. VOORHIS. You don't recommend an approach that was included in a bill that was before the House several sessions, which would provide in effect for prices on farm commodities. What is your opinion of that?

Secretary WICKARD. What?

Mr. VOORHIS. Floor prices, I should say. There would be a certain minimum below which there wouldn't be trading in a certain farm product. Like a minimum wage law, if you will.

Secretary WICKARD. I don't know whether I would want to advocate such a measure as that or not. I hadn't thought of price supports involving that sort of thing.

Mr. VOORHIS. Give us an idea, roughly.

Secretary WICKARD. By fixing prices by fiat?

Mr. VOORHIS. You don't fix them. You put a floor on them.

Secretary WICKARD. Yes. I rather tend toward supporting various prices by purchasing and taking off the market, if necessary, certain products. We have been using that during the war, as you know. We have been using that procedure to maintain the prices because we have had products like eggs, for instance, during the last winter and even more recently which have gone down in price to a place where the Government had to enter in and take those products off the market.

Mr. VOORHIS. Yes, I know. In connection with that, and the ever-normal granary, to take them together, is it your conception there has to be any attempt to channel production into certain lines and out of other lines to some degree in connection with a price-support program? Do you see what I mean?

Secretary WICKARD. Yes; I think we can't overlook the fact if we maintain artificial, high levels, the prices of certain products, we may get overproduction of those, when other products are more needed by the consumers. As I said in my paper, we may have to provide one means or another, certain shifts between production of certain crops or between certain animal products.

Mr. VOORHIS. Then I would like to ask, if I may, a very brief question, going back to the co-ops. Your position would be that the bank of cooperatives ought to be continuing?

Secretary WICKARD. Yes.

Mr. VOORHIS. You mentioned here equal living standards for farm and city families. I will only ask one question about that. I know it covers almost everything. What about health? What is the Department's idea about trying to improve health standards and health services for the rural people, farm labor, for instance, as well as farmers?

Secretary WICKARD. I think that there was a little discussion this morning on that particular subject. I appreciate the opportunity of giving my view, even though it is somewhat repetitious.

Mr. VOORHIS. I am sorry. Maybe I didn't hear that.

Secretary WICKARD. That is all right. I will reply briefly. I think the selective service records indicate that people on the farm, despite the fact they are out in the sunshine and living out in the country, have not had or enjoyed the health the people in the cities have enjoyed. That is due to two or three factors, perhaps. One is they have not had the knowledge or the opportunity to get the right kind of food. Also, there has not been opportunity to examine children in the schools to make certain corrections, take certain corrective measures so they will have sound bodies.

Now I think that if we, either as I said this morning as local, State or Federal program, undertake the improvement of health of rural people, we are going to make an investment in this country because we will not only save doctors' bills, but we will make people more productive. We will get away from sick leaves, all the sort of thing that goes with poor health.

Mr. VOORHIS. Do you have in mind any legislation toward that end? How do you think we should approach it?

Secretary WICKARD. As far as the health is concerned, of course, that is a matter I would like to say the United States Public Health Service perhaps ought to make the plan. I had hoped there could be some of the surplus medical materials, drugs, and bandaging facilities of one kind and another available after the war. I had hoped that those could be made available for rural communities under one sort of organization or another. Because then, I think, we can attract doctors and nurses into rural communities. It is pretty hard to get doctors and nurses into rural communities if there are no facilities. You can hardly expect the individual doctor and nurse to provide those.

Mr. VOORHIS. Yes. Hasn't the program for medical service for farm workers, migratory workers—I know in California the State medical association cooperated with that and supported it quite heartily—hasn't that been reasonably successful?

Secretary WICKARD. Yes. I think our records tend to indicate that those programs have proven to be a real economy.

Mr. VOORHIS. I just have two more questions, I hope.

You mentioned soil conservation which, to my mind, is pretty close to the heart of the matter. Would you propose any change in the present soil-conservation program or would you propose it be continued as it is?

Secretary WICKARD. I propose it be continued somewhat as it is, but expanded.

Mr. VOORHIS. How do you mean expanded?

Secretary WICKARD. I would expand the aid which is going to the soil-conservation districts, technical aid, and perhaps making available to them larger equipment, which is necessary for reforestation, building of dams, things of that kind. And I would also foster the organization of more soil-conservation districts.

Mr. VOORHIS. You would simply try to carry on the present program?

Secretary WICKARD. Yes. Of course, a lot of things have to do with conservation. I think a reforestation program is one of the most practical means of soil and water conservation.

Mr. VOORHIS. Let me ask this. Do you think at this very moment—no, it wouldn't be fair to take this moment, but just before the war, let's put the period just before we got into the war—do you think we are holding our ground with regard to soil conservation? In other words, was our program preventing any further deterioration of our soil resources?

Secretary WICKARD. As a whole?

Mr. VOORHIS. As a whole. Were we replacing it as fast as we were losing it in other places?

Secretary WICKARD. I have a question that they were. I don't think our program had gone far enough to say we are gaining on erosion and soil depletion.

Mr. VOORHIS. We must be gaining.

Secretary WICKARD. Yes; we must gain or we are going to lose eventually.

Mr. VOORHIS. In the country, as a whole, it is possible to do it certainly. The whole future depends on it.

Mr. MURDOCK. You spoke of reforestation, revegetation, too, I suppose, Mr. Secretary. I come from the West. A large part of it is not tillable. We must depend upon it for grazing. Fifty years ago much of that region which is now barren, the grass being eaten off into the roots, was covered with green grass up to the stirrups of the horse-back rider. The whole picture has changed. They say it has been brought about by overgrazing. What are the chances of restoring the ranges?

Take one Indian reservation, the Navajo Indian Reservation, mostly in the State of Arizona. It's as large as the entire State of West Virginia; 52,000 Indians live upon it. They are nomadic people, move over large distances with their flocks. They can't get any more land. They are increasing in number. One natural resource, the pasture land, is going, gone. Is there any chance of restoration?

Of course, I am thinking of those Indians. I am thinking of the cattle people, the sheep; the livestock.

Secretary WICKARD. I don't know. I think we all recognize that we have on the ranges today more cattle than the ranges could be expected to support over a period of time.

Now, as you know, pasture and ranges have been very good during the last 2 or 3 years because of abundant rainfall. So, one of the things I think has to be done is sometime, in some manner, make an adjustment in the range cattle numbers which will be more in line with the long-time carrying capacity of our ranges.

Mr. MURDOCK. The forestry people have done that and other agencies have done it, too. Indian people have cut down on these Indian reservations. But if you keep on continually cutting down, you get to a point where they couldn't support themselves.

Secretary WICKARD. I think this is a Department of Interior problem I have just had brought to me. Nevertheless, it is involved in the entire matter of range conservation. I hadn't thought of the Indian angle until you mentioned it.

Mr. ZIMMERMAN. Do you yield?

Mr. MURDOCK. Yes.

Mr. ZIMMERMAN. I think we have at this point been overgrazing public land. I thought Congress sometime back passed the Taylor Grazing Act which gave the Department of Interior control over the grazing of our public domain with the view of preserving these ranges so as to keep the grass and accommodate a certain number of cattle. I thought that was our program. Of course, if that is true, the very fact that the Indians increase and need more cattle, I don't know how we are going to deal with that problem. You just can't keep them from increasing in population very well.

Mr. VOORHIS. Mr. Secretary, I have a couple more questions I think are important. I want to go now to your point about a family-size farm, something that concerns us in the West considerably. I am going to ask this \$64 question first.

How big do you think that a farm tenant purchasing program could be made within the following two limitations: First, find worth-while people, worth-while tenants, who would make good on the land that they bought, and, second, have the program pay for itself as it is now doing?

Secretary WICKARD. I would say in my estimation that we could find the people who would make the tenants and who would be happy to be given the opportunity. And I think that they can pay out if the land is purchased at proper prices and they are given proper aid.

Now, I think the question is more where are you going to find the land, and how are you going to be able to get that? I think that is a limiting factor, rather than the number of people or the ability of the people to pay out.

Mr. VOORHIS. You may find the land people are willing to sell. There have been times when it is not true.

Secretary WICKARD. There have been times when nobody wanted agricultural land. If we have the right kind of prices, income, I think it is going to be difficult to find the land the people ought to have.

Mr. VOORHIS. To get some of that, wouldn't the logical place be some of the surplus land the Government is going to have after the war?

Secretary WICKARD. Yes; I so testified before the national committee recently.

Mr. VOORHIS. You don't have to answer this question. Wouldn't it be logical to have the Department of Agriculture, instead of the R. F. C., dispose of that land, as a part of your farm program?

Secretary WICKARD. I think I would be biased in that. But I think it would be advisable to let people who have had a lot of experience in the purchase of land, tenant purchases, tenants who wish to make purchases, do the same thing for the disposal of this land.

Mr. ZIMMERMAN. Do you yield?

Mr. VOORHIS. Yes.

Mr. ZIMMERMAN. Along that line, I think that you all know that after this war is over there is going to be a tendency to mechanize farming. Is that generally believed to be the situation we are going to confront?

Secretary WICKARD. Yes.

Mr. ZIMMERMAN. Now, what will that mean? Does that mean the units will be increased in size or can we have mechanized farming from family-size farms as profitably as on the large holdings?

Secretary WICKARD. I think under a proper scheme and proper management, you can have the small tractor doing for the small farmer what the big tractor has done for the larger unit. I have especially in mind some other technical developments coming along.

I would like to suggest at this time that Mr. Johnson read his paper upon technological developments. I think it will bring out a lot of things of great interest and be helpful to you people, if you don't mind.

Mr. ZIMMERMAN. We will be very glad to hear Mr. Johnson at this point. I had him in mind. That is the reason I asked those questions.

Secretary WICKARD. Dr. Johnson, of the Bureau of Agricultural Economics, has been making a special study. I am sure he has something interesting.

Mr. ZIMMERMAN. Tell the reporter who you are.

Mr. JOHNSON. Sherman E. Johnson, Bureau of Agricultural Economics, Department of Agriculture.

STATEMENT OF SHERMAN E. JOHNSON, BUREAU OF AGRICULTURAL ECONOMICS

Mr. JOHNSON. Improvements in farm technology and their effects on farm output, wartime increases in production: The output of farm products for sale and for use in the farm home was 29 percent higher in 1943 than in the years 1935-39. If July and August crop prospects materialize the total output in 1944 will be even higher. These tremendous increases over pre-war years were made possible partly by favorable weather and by high feed reserves accumulated before 1943. On the other hand, the 1943 output was produced with 6 percent fewer workers than in the pre-war period; also a less experienced labor force, and with shortages of new farm machinery, building materials, containers, and some other supplies.

The record production in 1943 and the prospect of continuing this high level in 1944 are an indication of the tremendous production capacity in agriculture that could be drawn upon if need arises and if farmers are given sufficient time to mobilize resources for all-out production. Fortunately, farmers had purchased a large volume of farm machinery in the years 1934-41 and therefore were fairly well equipped in most regions, despite the small amount of new machinery made available in 1943. The large increase in tame hay and plowable pasture which took place during the 1930's created a reserve of land and fertility that could be drawn upon in wartime. Although we have been depleting those reserves to a certain extent there are no indications that wartime changes in farming have caused large-scale permanent injury to soil resources.

Favorable weather often is mentioned as being responsible for a large part of the increase in wartime output. If average yields for the years 1923-32 are taken as 100 percent, all the years since 1936 are above that level. However, recent studies of weather conditions in relation to crop yields indicate that with average weather conditions we can expect as much as 20 percent higher crop yields than those experienced in the 10-year period 1923-32. If this higher yield expectancy is borne out over a period of years it represents a remarkable change within a relatively short period.

We are beginning to reap the results of many improvements in farm practices that have come to the forefront in recent years. Adoption of hybrid seed corn in the Corn Belt has increased yields per acre in that region by about 20 percent. New corn hybrids adapted to areas outside the Corn Belt will make possible further increases in yields per acre for the country as a whole.

There has been a remarkable increase in per acre yields of cotton in recent years. The acreage in cultivation on July 1, 1944, adjusted for average abandonment is less than 50 percent of the cotton acreage harvested in the years 1923-32. However, the indicated yield per harvested acre is 155 percent of the 1923-32 average with the result that estimated production is 78.5 percent of the average output in those years. Cotton yields have increased most in the Delta areas where the average yield in the years 1938-42 was 178 percent of the 1923-32 average. In addition to favorable weather, some of the reasons for the increased yields of cotton are: (1) increased use of fertilizer (a larger proportion of the acreage fertilized and application of about a third more fertilizer per acre); (2) more winter cover crops; (3)

improved varieties; (4) more effective boll-weevil control; and (5) selection of more productive land for the smaller acreage of cotton.

Post-war effects of better farming: Further adoption of known improvements in farming will tend to increase farm output in the post-war years. Increased use of fertilizer and lime offer the greatest potentialities. For example, on a group of West Virginia farms a ton of ground limestone and 180 pounds of triple superphosphate per acre increased forage production 57 percent and the protein content of the forage more than 40 percent. The use of commercial fertilizer has more than doubled in the period from 1934 to 1943. After the war production capacity will be available for a greatly increased nitrogen output. If increased use of nitrogen is balanced with comparable increases in phosphates and potash, and with application of lime where needed, large increases in yield per acre could be expected on both crop and pasture lands. Other land-management practices such as improved rotations, contour tillage, and strip cropping also will make important contributions to increased yields.

Use of improved varieties is one of the easiest, cheapest, and surest ways of getting higher crop yields. New soybean varieties are being developed that promise increases similar to those experienced with hybrid seed corn. New strains of wheat, oats, barley, and flax also will increase yields per acre of these crops as soon as the new varieties become more fully adopted.

Substitution of high quality hay and pasture (alfalfa, lespedeza, kudzu, Ladino clover, and improved grasses) for the lower yielding types could increase roughage production 25 to 30 percent and in that way provide an increased feed supply for livestock. The greatest increases in livestock production are likely to come through use of a larger feed supply and better care rather than through breeding improvement. However, cross breeding, artificial insemination, and more effective disease control also will increase livestock production in the next few years.

Purchases of farm machinery are likely to become greatly accelerated as soon as more machines are manufactured. Small machines are likely to be developed to sell at prices that will attract purchases by operators of small farms. As tractors and trucks are substituted for draft animals the land which formerly produced feed for workstock will produce commodities for sale. The shift to tractor power since 1920 has made available over 60,000,000 acres of crop and pasture land for the production of products for the market. If the annual decrease in horse and mule numbers that is now under way continues until 1950 that has been a newly continuous trend, there will be nearly 2,000,000 fewer horses and mules on farms at that time. This shift would make available another eight to ten million acres of crop and pasture land on which to produce farm products for sale.

There would also be about 460,000 additional tractors on farms in 1950. Each additional tractor would save about 800 hours of man labor per acre if it is used with appropriate tillage and harvesting equipment.

Many new machines are likely to have considerable adoption in the next few years. Among these are the mechanical cotton picker, the improved cotton stripper, rice combines, flame cultivators, hay driers, and manure leaders.

Production per worker for sale and for use in the farm home nearly doubled from 1910 to 1944 as a result of farm mechanization and other improvements in farm practices. Rapid mechanization and further adoption of other known improvements could result in even greater output per worker by 1950.

Accelerated adoption of improved practices is likely to exert considerable pressure for increased output when labor, machinery, and fertilizer become more freely available. A considerable amount of new land development is also getting under way. The marketable output of farm products could be increased in the post-war period in four different ways: (1) expanding the area of cultivated land; (2) shifting to more intensive crops and livestock; (3) increasing crop yields and output per head of livestock by use of improved practices; and (4) shifting to mechanical power. To what extent the physical potentialities for increased production will be realized depends on market outlets, and on the kinds of programs of education, assistance, and encouragement that are developed. It is recognized that there also are some factors tending to offset the pressure to increase production. One of these is the possibility of less intensive use of land to maintain soil resources; another is the tendency not to work as long hours in peacetime as in wartime. But the pressures tending toward production increases seem much more powerful than those which would retard production, unless they are restrained by shrinking market outlets and lower prices for farm products.

Implications of increased efficiency: It often has been assumed that increased efficiency in operating individual farms will benefit all farmers and also society as a whole. Cost reductions that increase output per farm result in increased income to the operator, unless other farmers also increase output. Then if demand for the product is not increased sufficiently to offset the increase in output the price of the product may go down even to the point where the farmer receives less for a larger volume of products than he previously did for a smaller quantity. This would mean that more than the net gain from increased efficiency would be shifted to other groups and the farmer's income would be lowered. In addition to the effects on the farm operator we need to consider the workers that are displaced by improvements in farming. The Nation as a whole must give due consideration to employment for the displaced workers as well as for the income of those remaining in agriculture.

Improvements in farm technology will bring a net gain for the Nation only if there are other employment opportunities readily available for the displaced workers, and if we have a continued high demand for farm products. If consumer-purchasing power is not maintained there will be constant pressure of unemployed people on the land. This situation would delay adoption of some of the improved practices that have been described, and would therefore tend to slow down the increase in output. However, experience in past depression periods has shown that output would not be reduced enough to prevent chronic surpluses of many products.

Increased efficiency in farming means that less effort is required to produce farm products, and that therefore more labor and more time is available for the production of other worth-while goods and services, and for increased leisure. But ways need to be found to keep market channels open for the volume of farm products that are needed in a

balanced national economy, and to make other employment opportunities available for workers that are no longer needed in agriculture.

Mr. ZIMMERMAN. Unless certain conditions are met, the paper doesn't present a very rosy picture for agriculture, does it?

Mr. JOHNSON. That is correct.

Mr. ZIMMERMAN. Unless we can furnish employment to these displaced people at a living wage so they can buy this increased production, then your prediction is that farm prices will go down and we will be confronted with surpluses, and agriculture will be in the same boat it was a few years ago when this depression——

Mr. VOORHIS. Another element, too.

Mr. ZIMMERMAN. I just want to get that answer.

Mr. JOHNSON. That is correct.

Mr. ZIMMERMAN. That is something we may look forward to?

Mr. JOHNSON. Which means the market channels will have to be kept open for farm products, also other farm opportunities in other sections of the economy.

Mr. ZIMMERMAN. Then, as the Secretary pointed out this morning, we have got to keep these people employed in industry at a wage so that they can buy these surplus farm commodities, and we have got to maintain our international relations so we may hope to export that 5 percent that spells the difference between success and failure.

So those are the big problems that the Nation faces as a whole. And the fate of agriculture is bound up then in the fate of industry and labor, and what to do to keep that national income up to the point where we can keep our economy in a healthy condition; is that right?

Mr. JOHNSON. That is correct, and of tremendous importance, Mr. Chairman. We often don't think about it, but when consumer incomes are high, they tend to buy higher-quality farm products. In other words, when purchasing power is low, we get food enough of some kind, but not the high-quality farm products that bring the incomes of the farms up to higher levels. In other words, we all would like to buy more beefsteak and more strawberries and cream. Some of those things we will buy if the purchasing power is there.

Mr. JOHNSON. That is correct. The tremendous importance, Mr. Chairman, in a way we often don't think about it, that is, when consumer incomes are high; they tend to buy higher-quality farm products. In other words, we get food enough, even though the purchasing power is low, of some kind, not the high-quality farm products that bring the value of the market up, but from the farms up to higher levels. In other words, we all would like to buy more beefsteak and more strawberries and cream. Some of those things we will buy if the purchasing power is there.

Mr. ZIMMERMAN. You mentioned something else which is novel to me. I wish you would expand on that a little bit. You spoke of flame cultivators. I wish you would tell us what you mean by flame cultivators. That is something new.

Mr. JOHNSON. They are just coming in, Mr. Chairman. I must confess I haven't seen one myself, although some of our folks have. There are just a few of them used in the South, in cotton and sugarcane especially. They appear to be very successful, not only for keeping the weeds out, but also for blocking the cotton instead of chopping by hand.

Mr. ZIMMERMAN. You mean to say if they develop that flame cultivator, we won't have the need for the horde of people in the South who chop cotton?

Mr. JOHNSON. If the mechanical cotton picker comes along, it's being manufactured commercially now, we won't have any need of them for picking.

Mr. ZIMMERMAN. My friend Mr. Murdock won't have to send down to Mexico to get a bunch of Mexicans to come up and pick the cotton in that section; is that right?

Mr. JOHNSON. That is correct.

Mr. ZIMMERMAN. That is going to affect considerably the economy of these sections; is it not?

Mr. JOHNSON. It undoubtedly will eventually and if those developments should come rapidly in a period of depression obviously it would worsen the situation. If they come in a period of rising employment opportunities—in other words, if they were introduced under conditions such as today, the repercussions wouldn't be nearly as serious if there were other employment opportunities for the displaced people.

There is one modification, one saving grace perhaps on the introduction of these machines. Our experience in the adoption of the grain combine, or for that matter in the adoption of the tractor, corn picker, and some other machines, indicates it takes about 20 to 25 years from the time machines are first manufactured commercially until there is general adoption. That is especially true of some of the more complicated machines.

Mr. ZIMMERMAN. That gives us hope we won't have to send our cotton choppers up to Mr. Wolcott's district——

Mr. JOHNSON. You would have to send them but not for as long a time.

Mr. WOLCOTT. You send your choppers up there at least to eat our beefsteak.

Mr. VOORHIS. Why haven't they been introduced in this very period?

Mr. JOHNSON. One reason is there have not been materials to manufacture farm machinery. And allotments have been made for the manufacture of these new developments only on an experimental basis. I would say the mechanical cotton picker has been perfected to the point now where there is no question about it.

Mr. JOHNSON. Apparently there is no question about the picking of cotton. There is still a question about whether you can get as high a grade and quality of cotton as you can with hand picking.

Mr. MURDOCK. Mr. Chairman——

Mr. JOHNSON. It requires some ginning changes as well, to get good quality cotton.

Mr. MURDOCK. I wonder if I might interject a matter here, not my own thought at all, but merely to get the witness's reaction. Is there not a view held by men in high economic stations that we must inevitably face lower agricultural prices because of the fact that you are mechanizing the small farms and the large farms, and that will mean lower cost of living and will react upon wages and lower the whole cost of production for all goods and services? Do you know of any such theories advocated? If so, how do you feel toward them?

Mr. JOHNSON. I have a reaction to one phase of it. As far as the general price theory is concerned, the question of general level of either

farm prices or other prices, there are others here who can answer that better than I can. But from the standpoint of improvements in technology, if we have cost reductions, and those cost reductions, of course, can take place either with or without increasing output, most of them result in increased output. Prices of farm products can go down and still leave the farmer as large a net income. That is, they can go down to a certain point and still leave the farmer as large a net income as he had before. Now then, if the market demand doesn't keep pace with this increased output, as I said in the paper, prices might go down to the point where the farmer gets less for a larger output than he did before with a smaller output before the cost reductions took place. That would mean that all of the benefit of the improvement would be shifted to other groups in society and that farmers would be worse off than they were before.

MR. MURDOCK. I want to see that avoided. I have been puzzling a long time to try to find out who is an agricultural producer and just what proportion should go to the man who has his feet in the soil, the primary producer. He is the man I am most interested in, by the way. But I am able to see there are others who are economic producers. I am not sure what part they should get. I do know there is too wide a spread between the farmer who grows the potato and what I pay when I get a baked potato on my plate. Too wide a difference there. I am wondering what happened between. But it is this I had in mind this morning, Mr. Chairman, about the mechanization of small farms. If we are to mechanize the small farm, do away with horses and mules, thus produce more for human consumption which the animals formerly consumed, are we likely to get that farm machinery down cheap enough in cost so it will be economically feasible? Or are our great manufacturing concerns tied up with patents so we will pay three times the prices for the light weight, small tractor and its attachments than we needed to pay with proper competition?

MR. WOLCOTT. What do you mean by "proper competition"?

MR. MURDOCK. Effective competition.

MR. JOHNSON. As to the question of price policy, the phase of that question relating to mechanization shift from horses and mules to tractors, I would say that it would be possible to manufacture and sell associated equipment that goes with the tractor to produce farm products more economically perhaps even on the smaller farms, than we do with horse and mule power. Now, obviously, if a farm gets too small, the tractor becomes a very large investment. So also is the acreage that is required to raise horse and mule feed as far as that is concerned. In other words, if the farm gets too small in size, there just isn't very much income in it for the farm operator whether he uses horses and mules or tractor power.

MR. VOORHIS. Isn't this true, Mr. Johnson, in connection with lots of types of farm machinery it is altogether possible to have cooperative ownership among a half dozen farmers, three or four, maybe even one farmer to make a sort of venture in investment in one of those pieces of equipment and rent it to his neighbors? It doesn't necessarily mean, does it, that you have to give up the hope of preserving the family-size farm.

MR. JOHNSON. That possibility of course is even greater with mechanical power than horse or mule power. There is also this factor involved: As we shift horse power to mechanical power, we increase the

acreage and output that one person can handle. In other words, since 1910 we have just about doubled the output per worker for sale that goes to market. That has been a fairly steady increase with some ups and downs. I think we can speak with the accelerated mechanization we will have after the war, it will at least continue and probably increase. That does mean a worker or farm family with the operators and family laborer can handle larger acreage and produce more products than they could before mechanization.

Mr. ZIMMERMAN. In my section we have a great number of acres of soybeans the last few years. I mean by combines, that is, who have smaller farms and they go out and harvest other crops for men. In other words, hire this equipment out. That is true I think of the corn picker. I just mention that to supplement what Mr. Voorhis said about the ability to utilize this mechanized equipment.

Mr. JOHNSON. A family can operate more land and under proper conditions would have the possibility of getting a larger income for their efforts.

Mr. MURDOCK. May I ask one more question there in regard to the light tractor—this doesn't apply to my own district personally because I live in a community where we have heavy soil. We have to use "cats." But if we use small tractors, light, I personally know of several cases, I think I could mention three where men have been killed by light tractors raring up, tipping over on them. I understand that whole thing has been eliminated. Is there more than one manufacturing concern that has a new-type connection where lightweight tractors would pull heavy loads without that danger?

Mr. JOHNSON. I am not an agricultural engineer, but my engineering friends assure me that none of the newer-type tractors do that under heavy loads.

Mr. ZIMMERMAN. Any other questions? Mr. Wolverton?

Mr. WOLVERTON. I think Mr. Wolcott has one.

Mr. WOLCOTT. What has been done in the field of agronomical chemurgy to remedy this situation? We appropriated 8 or 10 million dollars a few years ago for the study of uses to which agricultural products could be put in industry. The soybean industry, of course, was sponsored by Mr. Ford as part of that farm-chemurgy program. Out Independence way private individuals have been experimenting with the use of industrial alcohol made from all kinds of vegetables, mostly corn, and when we have the gasoline shortage we are going to have in a few years, so we are told, I had hoped we might develop other uses for agricultural products in industry.

Secretary WICKARD. Awhile ago the chairman asked me about what we were doing to develop the use of farm products. I referred to the four laboratories which Congress had created or authorized to be created. At that time I said that the work in discovering new outlets for farm products had been delayed somewhat because these laboratories in several instances had taken the scientists off the work which they were originally intending to put them on—and putting them on war work. For instance, the Peoria Laboratory has been doing a lot of work on fermentation which enters into this product of alcohol. It got into experimental work for producing alcohol for synthetic rubber. It did discover some new techniques in that field. I had a pilot plant at Peoria for work in that field. As quickly as the opportunity presents itself we want to get back in the work on experiments, research; trying to find new uses for agricultural products.

Mr. WOLCOTT. Our chemists have been over to Germany before the war; they have been to Russia. They gave the Russians and especially the Germans the benefit of our knowledge of the use of agricultural products in the manufacture of synthetics and particularly elastics. We were told that the Germans have utilized that knowledge to the fullest extent. And a great portion of the manufactured products in Germany is synthetic, comes from the ground, crops. I wonder if we are not being a little superficial in trying to develop a post-war program without giving more consideration to expanding the use of agricultural products in industry? Here is my point, if I may tell you why I am bringing this up. The world is becoming industrialized whether we in America like it or not. I just had an interesting experience up at Bretton Woods. I know that every Iraqi and Iranian visualizes smokestacks all over their deserts in the post-war period. We have got to compete in the new industrial world following the war. It seems to me that we have got to catch up on the processes which will materially decrease the cost of products, otherwise we will not be in a position to compete in the world industrial markets. We have all been doing quite a lot of figuring about this farm chemurgy program in that respect.

Secretary WICKARD. Getting back to the subject of plastics at the Peoria laboratory, we have done a lot of work developing and making the plastics from various farm products. A lot of those products are in use today; some are being used in the war effort. Some I wouldn't want to discuss here. They are really startling so far as their development and utilization are concerned. May I say in connection, at the Forest Products Laboratory we have carried on research which has enabled us to find ways of using forest products and trees which will not be useful for saw logs in making a lot of products, including alcohol. You know recently the War Production Board authorized the Eugene, Oreg., plant for producing alcohol from wood, from sawdust. So I think we are making a lot of progress in finding new uses for agricultural products; and I believe our research has taken on new impetus since we completed this new laboratory. Of course they were not more than completed when we were in the war effort. As I said, we had to stop. So the primary research we had intended to carry on, we will continue as soon as our people will be released from the various war projects on which they were working.

Mr. WOLCOTT. I think we have been somewhat amiss in not developing that. If you notice on the desks all through this House Office Building they have a plastic border, a bakelite border, to lay a cigarette down on the border of any of these tables, it burns right at the end, take your stump off and you can't see where the cigarette has been. In my travels around the United States I had never seen that. Here, in the New House Office Building, that has been in use 10 years.

Secretary WICKARD. That is wood material?

Mr. WOLCOTT. No, that is bakelite.

Secretary WICKARD. Going back to that, we are using forest products in building airplanes. We did a lot of work in developing the use of wood to replace aluminum. And of course we do have ash trays and all kinds of containers which are fireproof and which are very durable.

Mr. WOLCOTT. There seems to be such a field for that. We are told in our study of post-war construction, especially home construction, that perhaps 10 years from now about the only lumber which will be used in home construction is that used for hardwood floors, provided you want the beauty of hardwood floors. All your door casings will be of plastic. Walls will be of plastics. They will be verminproof, fireproof, much more desirable than at the present time.

Secretary WICKARD. I don't know why you made the exception of hardwood floors. You can get plastic-impregnated wood, plywoods. They are going to be harder and just as satisfactory and beautiful as hardwood.

Mr. WOLCOTT. That is the only lumber they tell us will be used in construction following the war. If that is true, it seems to me there will be a tremendous field for the use of agricultural products in industry in respect to home construction alone.

Secretary WICKARD. I agree with you. As I said this morning, I wish the members of the committee had opportunity to see one of the laboratories, the Forest Products Laboratory; the new things that can be developed from agricultural products are very intriguing and very exciting. As I said this morning there are one or two things we might consider as being more or less offsetting. The first is synthetics constantly being developed from use of nonagricultural products, coal tar, for instance. There is the other thing—when you develop the use from one kind of agricultural product, a new use for it, you may be depriving an outlet for another agricultural product. These things have a way of offsetting or balancing each other. I hope you don't think I am not in favor of carrying on all the research because the better products we can make, the cheaper we can make them, the more advantage it is to both producer and consumer. I don't know as far as our total outlet is concerned whether there is a great hope for increased outlet for farm products going out of one kind or another.

Mr. WOLCOTT. Are you acquainted with Dr. Hale's activity?

Secretary WICKARD. No, I am not.

Mr. WOLCOTT. He has written several books. They are a little too deep. I don't remember enough of my college chemistry to understand one of the books. The other two are very understandable and list the uses to which agricultural products might be put in industry, especially along the lines of plastics. As I understand, Dr. Hale went to Germany before the war, and Russia, and they made full use of his knowledge. He tells me he had been trying to get the Government, before the war, of course, to consider it. I know of some of his activities. He had been trying to get the Government to expand their research program along that line for a good many years.

Secretary WICKARD. You know we are making hats now from skimmed milk instead of wool or felt, and dresses from skimmed milk instead of cotton. I think the consumers are going to have to decide what kind of dresses they like. Nevertheless, those articles you have mentioned are all in the agricultural field. Personally, I prefer a good felt hat to the skimmed milk variety that I have had. I think the Germans would, too, if they were available to them.

Mr. WOLCOTT. There is a psychological factor.

Mr. WOLVERTON. Off the record.

(A remark followed off the record.)

Mr. WOLVERTON. Mr. Chairman, I had one or two questions I would like to ask. I think either witness would be able to answer them. I am sorry I did not hear the Secretary for his entire testimony. I have a very high regard for our Secretary of Agriculture. When a man has theories who has had practical experience, I think it is worth a great deal to us. I feel that is what we have in our present Secretary of Agriculture, a man who has had practical experience on which to base whatever theories he expresses.

The point I would like to make is a point lightly touched upon by Mr. Murdock a few moments ago. He spoke of a price that is received by the farmer for his products. I assume he asked the question from the standpoint of the farmer, because his district is largely a farming district. I am in the position of having a district that might be described as being 50-50, as it has both large industry and the farming industry as well.

What I have noticed is that there is a great difference in price between what the farmer receives for his product and what the consumer pays for it. What is the reason of that? It is a practical question. It is an everyday question. I am in a position where I live to know what the farmer gets, and I know what we pay when we go to the market.

Secretary WICKARD. Well, Mr. Chairman, one of our papers concerns this problem of marketing. I don't know whether you want me to try to attempt to answer the question which has been asked, because it is not a simple question. I think perhaps sometimes we are led to believe that there are much larger gaps between what the farmer gets and what the consumer pays than are necessary. Perhaps there are when large speculative efforts are involved in the handling of the farmer's products.

I think that all of us want to see that gap narrowed as rapidly as possible, and as is feasible.

Now, there have been certain changes made during the war looking forward to more efficient handling of agricultural products. I would be happy, if you want to go into it further, Mr. Chairman, to have Mr. Thompson present his paper on marketing. It might give you more in detail some of the answers to your question.

Mr. WOLVERTON. Mr. Secretary, it seems to me the question of marketing, if that is where the answer lies, is certainly worth consideration. Because the spread, while it has always been noticeable, yet in the last few years it has become distressingly noticeable. I have heard of all kinds of prices a farmer would get for picking his huckleberries and what we pay for them on the market. I know something about watermelons. I know what the farmer would get. I know what we have had to pay at times for them.

That isn't a criticism of O. P. A. It isn't the result of any thought upon my part that it's ineffective even though it may be. That isn't the answer, for the spread always existed. It existed before the war. It has existed for years. It seems to me, if we want to do something for the farmer, if it is necessary for the consumer to pay the prices he does, there ought to be some means by which the farmer would get a better part of that price which the consumer would pay.

Mr. ZIMMERMAN. Will you yield?

Mr. WOLVERTON. Yes.

Mr. ZIMMERMAN. As a member of the Committee on Agriculture, I want to say, about a year ago, less than a year ago, the House authorized the Committee on Agriculture to make a study of that question and appropriated, the committee was appropriated quite a sizable sum of money to make that investigation. Now, I understand they have organized and started to work on that very important matter.

Mr. WOLVERTON. I think we will all agree it is an important matter and one the committee may devote its attention to with a great deal of profit to farmers as well as the consumer.

Now, the other question I had in mind was based upon the statement that was contained in the testimony of the Secretary, in which he spoke of a better parity as between the income of the farmer and the industrial worker.

At the present time, we are very much interested in providing a source of income for the unemployed worker in the post-war period. If it becomes necessary to do so, what can we do of a comparable nature that would prove beneficial to the farmer the same as we are seeking to do for the worker in industry?

Secretary WICKARD. Now, are you talking about our giving the farmer a better income or better prices, or are you talking about the unemployed farmer, the farmer who cannot get a job in the city which is satisfactory, cannot get enough income from his little amount of land which he operates, which is satisfactory?

Mr. WOLVERTON. The thought came to me as a result of your statement, "Parity income would be another yardstick," when you were discussing under point 2, "Equal living standards for farm and city families," then under point 3, "Equal protection for all types of farmers," you said, "Just as farmers have an obligation to produce all that consumers need, the Nation has an obligation to protect farm incomes in times of depressed prices."

Now, when you consider that in its general character, it would meet with approval. What I am interested in, as a legislator for the time being, would be what could be done to work that principle into a real living practical thing?

Secretary WICKARD. I think I referred, first, to the fact that there is a need in my estimation for continuation of the present price support policies for farmers. I think you know about the support prices being in effect for 2 years after the war. I think those should be continued. However, as I pointed out in my statement, they are not an answer in themselves. After all, it is one thing to name a price, another thing is the possibility of getting people to buy it at that price. A granary program helps to take it off the market when prices are depressed, making it available later when production has fallen off.

Mr. WOLVERTON. Even, after you have done all those things, Mr. Secretary, it seems to me the farm income is very low, considering the amount of work it requires.

Secretary WICKARD. I agree with you. It is low in comparison with urban income on a per capita basis. I had hoped all the things I suggested this morning, eight points, would all make a contribution toward narrowing that disparity between urban and rural people.

Mr. WOLVERTON. The other question I had in mind to ask of Mr. Johnson was his statement that "The use of commercial fertilizer has more than doubled in the period from 1934 to 1943." And you advo-

cated a greater use of fertilizer in the future and pointed out the advantages already gained and that can be gained by the use of an increased amount of fertilizer.

Mr. JOHNSON. That is correct.

Mr. WOLVERTON. Is there any thought in your mind that the private fertilizer industry would not be sufficient to meet the demand?

Mr. JOHNSON. No, there is no implication in my statement to that effect at all.

Mr. WOLVERTON. I realize you have got the answer to a good many questions. I am asking you that question for this reason, judging by some of the letters that I have received from fertilizer concerns of long standing, there is a fear expressed of an intention of the Government to go into the production of fertilizer. Do you know of any reason for that?

Mr. JOHNSON. I do not. I do not know of any reason.

Mr. WOLVERTON. I asked the Secretary that same question when you were before the expenditure committee.

Secretary WICKARD. Yes.

Mr. WOLVERTON. You very frankly stated you did not see the necessity of it. I remarked that was one more point we were in agreement and one which I was glad to have you express yourself on.

Secretary WICKARD. I do not see it will be necessary for the Government to enter into the production of fertilizer, that is, to own and manage a plant, because I think private enterprise will do it. There may be instances in which we might want to keep some of the nitrogen plants in a standby condition so they could be used for munitions.

Mr. WOLVERTON. You have in mind maybe for experimental purposes?

Secretary WICKARD. Munitions. I would hate to see these plants torn down because sometime we may have to put them up again. These nitrogen plants could be leased some for private operation. That is the extent to which I think the Government has any place in the fertilizer business.

Mr. WOLVERTON. That is all.

Mr. ZIMMERMAN. The evening is slipping by. Mr. Murdock.

Mr. MURDOCK. Congressman Wolcott brought out most what I had in mind this morning when I asked about new uses for old crops and the introduction of chemurgy. I might say to my friend from Michigan, in the spring of 1942, Dr. Hale appeared before the subcommittee of the Mines and Mining Committee of the House and made a splendid statement bearing right on the matter you have in mind.

I feel in agriculture we are building great forces which require a safety valve. I notice on all steam plants that the generation of steam, although needed, is taken care of, when it is overproduced, by a safety valve. I believe with Mr. Wolcott that this chemical use of a possible surplus on the farm constitutes just exactly that sort of safety valve.

Now, we are going to make our land more fertile. We are going to produce more abundantly and we are going to mechanize. For a few years, I know the world is hungry for food and fiber. But it is going to be satisfied, I hope, in a shorter time than we anticipate.

Secretary WICKARD. I am almost afraid it is going to be satisfied in a shorter time than we anticipate.

Mr. MURDOCK. The question is, What is our safety valve when there is what we used to call overproduction. I believe the uses stated by the gentleman from Michigan is the answer.

Mr. WOLCOTT. I don't want it to appear by our silence that we acquiesce whole heartedly in all sections of the statement. The statement says, "By now, it is widely recognized that this or any other nation can hope to maintain a profitable and steady flow of exports only to the extent that it takes a corresponding volume of imports." I don't think I would want to contribute to that whole heartedly.

Secretary WICKARD. That is my statement.

Mr. ZIMMERMAN. I think we had better conclude.

Mr. VOORHIS. There are a couple of items of business I would like to suggest. One is that I don't think we ever determined definitely whether we were going to include in the record these 12 papers. I would like to have that done myself.

Mr. ZIMMERMAN. I would like to suggest, Mr. Secretary, that you make these papers a part of your statement.

Secretary WICKARD. Should I make the list to the clerk, and they will be supplied to him?

Mr. ZIMMERMAN. Yes; they will be parts of the record.

Mr. VOORHIS. I would like to make another request which either you or the Secretary can veto very readily if you want to. These papers, if they are as good as Mr. Johnson's, would be very valuable. There is something else I would like to get besides the papers, that is, in briefer form than this. I would like to get a very brief summary of what the proposals of the Department would be for the carrying out of those different items under those eight points which you made, not so much a discussion, not background discussion, but just how are you going to do it. Do you suppose you could do something like that?

Secretary WICKARD. Yes.

Mr. VOORHIS. You answered a number of questions along the line that I am saying now.

Secretary WICKARD. Would you want our proposals or would you want alternatives? I don't know whether we in the Department have specific remedies or proposals or methods for achieving some of the ends.

Mr. VOORHIS. You said something about the improvement of rural health. That would be one of the tough ones. Your answer was you thought the public health departments would be responsible for working that out. Maybe that is all you want to say.

Secretary WICKARD. No; we have a paper, two or three pages long. It almost has to be that long to answer your question.

Mr. WOLVERTON. I think your suggestion is very good. As I pointed out in that one instance we believe the general principle enunciated, but from a legislative standpoint the difficulty comes in translating it into actual legislation. So any concrete suggestion the Secretary would have to make to carry out those eight points would be very helpful to us.

Mr. VOORHIS. That is what I had in mind exactly.

Mr. ZIMMERMAN. May I make this suggestion? That the Secretary summarize these recommendations and statement of things he thinks could be done and attach that to his statement following or just before they put in these exhibits.

Mr. VOORHIS. I want him not only to summarize but to specifically—

Mr. ZIMMERMAN. You want him to specify wherein—

Secretary WICKARD. He wants the answer to all the \$64 questions, and I don't think I have them all.

Mr. ZIMMERMAN. Will you try to write that summary for him?

Secretary WICKARD. You will have to give us a little time to think about them. We will do the best we can.

Mr. ZIMMERMAN. We would like to have them. I think, in fairness to the Secretary and his staff, you have been very patient. I want to say we appreciate your presence here today more than I can express. Your statements have been very frank and informative. We appreciate the information you have given us today.

Mr. VOORHIS. I want to say that I do agree with your statement about imports and exports.

Mr. ZIMMERMAN. Unless there is objection, the committee will stand adjourned to meet again on Friday at 10 o'clock.

(Thereupon, at the hour of 4:25 p. m., a recess was taken until 10 a. m., Friday, August 25, 1944.)

(The following statements from the Department of Agriculture Interbureau Committee on Post-War Programs were submitted to the House Special Committee on Post-War Economic Policy and Planning, August 23, 1944:)

AGRICULTURE AND FULL EMPLOYMENT

(Prepared by Bushrod W. Allin)

In recent months the Bureau of Agricultural Economics has been analyzing past relationships between national income, employment, farm prices, and foreign trade in order to provide a statistical guide for post-war agricultural policy. This has been possible only because the Bureau over a period of years has accumulated in its files vast quantities of data on these subjects. The purpose of the analysis has been not to forecast what will happen to agriculture after the war, but to estimate what would be most likely on the basis of alternative assumptions with respect to national income and employment. It was felt that this would at least be helpful in indicating the nature and magnitude of the problem of maintaining agricultural prosperity or of avoiding acute agricultural depression. The estimates presented here, of course, are subject to revision based on further analysis.

One assumption made was that after the transition from war to peace the national economy would be so managed as to maintain full employment—a goal generally supported by most people concerned with post-war problems. A view of what agriculture might look like under this more or less optimistic assumption was considered to be useful as a point of departure in thinking about programs that might be required under less optimistic assumptions.

Arbitrarily assuming that the year 1950 will be a true post-war year in the sense that reconversion will have been completed, it was estimated that the population of the United States at that time would be 144 millions, 59 millions of whom would be able and wanting to work. This means that in order to have full employment there must be at least 57 million jobs available, the remaining 2 million workers being accounted for as people on vacation, changing jobs, or otherwise temporarily out of work on their own volition. Assuming that 8½ millions of these 57 million jobs would be in agriculture, and 48½ millions would be in nonagricultural occupations, and assuming further that average wholesale prices would be maintained at the same level as in 1943, these 57 million workers would produce a national income of about \$150,000,000,000, which is only slightly larger than the national income was in 1943.

Under peacetime conditions, however, average farm prices would not be as high in relation to nonfarm prices as during the war year of 1943, when they stood at about 188 percent of the 1910-14 average. On the basis of past peacetime relationships, and without any Government programs to support farm prices, it was estimated that under conditions of full employment with a national income of

\$150,000,000,000, prices received and paid by farmers would stand at about 160 percent of the 1910-14 average. This would represent a farm price level at about parity as compared with the level of 17 percent above parity in 1943, and would yield a gross cash farm income to 8½ million workers and their families of about \$17,000,000,000 as compared with the 1943 gross cash farm income to 8.8 million workers of \$20,000,000,000.

In arriving at this over-all estimate, it was necessary to make estimates of imports, exports, and domestic consumption. In the two decades between the two world wars, agricultural imports represented about 50 percent of all imports, and changes in total imports followed closely changes in national income. Because of wartime developments which have increased the relative importance of non-agricultural raw material imports, it was estimated that by 1950 agricultural imports would represent only about 40 percent of total imports. On this basis, it might be expected that total annual imports of agricultural products after this war would be about \$2,000,000,000, if the national income is maintained at \$150,000,000,000. This compares with an actual value of agricultural imports in 1925-29 of 2.2 billion dollars, and in 1935-39 of 1.2 billion dollars. Such imports would include in large measure commodities this country does not produce, such as rubber, coffee, and bananas.

In estimating exports, it was noted that in 1925-29 agricultural exports represented 37 percent of total exports, and that for the years 1935-39 the proportion had dropped to 25 percent. If this downward trend is resumed after the war, it is likely that agricultural exports by 1950 will not exceed one-sixth of total exports. Thus, if total exports should amount to \$6,000,000,000, agricultural exports would total only \$1,000,000,000. This estimate compares with an average of 1.9 billions for the years 1925-29, but it is one-third larger than the average for 1935-39 and is double the amount for 1940.

The meaning to the farmer of full employment in 1950, however, would be determined much more by its effect on the domestic demand for agricultural products than by its influence upon foreign trade. Per capita consumption of all the major agricultural products would be not only higher but substantially higher than it was, for example, in 1935-39 or in 1941—years in which labor was not fully employed and the national income was considerably lower than \$150,000,000,000. By multiplying the estimated per capita consumption of the various farm products under full employment by the estimated total population, it is possible to arrive at total domestic consumption requirements. Then, by adding estimated exports and deducting estimated competitive imports it is possible to arrive at total domestic production requirements. As previously pointed out, these requirements under full employment would yield a gross cash farm income of about \$17,000,000,000.

The difference between this total and the 1943 gross cash farm income of \$20,000,000,000 would seem to indicate that required post-war agricultural adjustments would not be very great. But this would only be true if agricultural technology or efficiency should remain static and if the same relative amounts of the various agricultural products were needed after the war as during the war. There is no prospect that either of these conditions will prevail. If average crop yields by 1950 should increase by 10 to 12 percent above pre-war averages, and if the efficiency with which feed is utilized by livestock should increase by 2½ percent, total production requirements under full employment could be met by the cultivation of only 327,000,000 acres of cropland. This compares with 352,000,000 acres actually harvested in 1943. Thus, even under full employment, either the agricultural plant must be reduced by 25,000,000 acres or additional outlets must be found for the product of these acres.

With a national income of \$150,000,000,000 there would still be in this country large numbers of people inadequately fed. It is estimated that a Government program to improve the diets of people with annual incomes of less than \$1,500, would absorb the product of 8,000,000 acres of cropland. Hence, under full employment and with a publicly financed nutritional program for low-income people, it would still be necessary to reduce the total area of cropland by 17,000,000 acres. Whether under the "tight" labor situation assumed to exist under full employment farmers would, in fact, make this reduction is at least open to question. On the one side of this question there is the view that for conservation reasons alone farmers cannot continue in permanent cultivation the acreage being used under the stresses and strains of war. On the other side, however, there is the prospect of mechanization at an increasingly rapid rate, which would enable a smaller farm labor force to produce an even larger output.

If the outlook under full employment is less favorable than conditions in 1943, how much worse might it be with large-scale unemployment? Assuming that by

1950 about 7,000,000 of the 59,000,000 workers should be unable to find jobs (which would represent about the same proportion of the total labor force as was unemployed in 1940), it is reasonable to assume also that the general price level would fall below the 1943 level which was assumed for full employment. With this number of unemployed and with the price level about the same as the average for the years 1938-42, the national income would stand at about \$110,000,000,000, or \$40,000,000,000 less than under full employment. Farm prices would stand at only a little less than 90 percent of parity, but gross cash farm income would fall from \$17,000,000,000 to about \$12,000,000,000, or almost a third. Net cash farm income would fall to about one-half of what it would be under full employment. Domestic consumption would fall about 5 percent, thus making it a problem of what to do with the product of 34,000,000 acres instead of the 17,000,000 acres not needed under full employment conditions.

But this would be a condition of relative prosperity compared with the plight in which agriculture would find itself in the event of a severe post-war depression. If about 15,000,000 workers should be unemployed, the price level would undoubtedly fall still further, and the national income might well decline to sixty or sixty-five billion dollars. With these conditions, agricultural prices could easily drop to 50 or 55 percent of parity, and gross cash agricultural income could fall to five or six billion dollars.

If the estimates made on the basis of these alternative assumptions are even approximately correct, the farmer's stake in full employment can hardly be overemphasized.

IMPROVEMENTS IN FARM TECHNOLOGY AND THEIR EFFECTS ON FARM OUTPUT

(Prepared by Sherman E. Johnson)

WARTIME INCREASES IN PRODUCTION

The output of farm products for sale and for use in the farm home was 29 percent higher in 1943 than in the years 1935-39. If July and August crop prospects materialize the total output in 1944 will be even higher. These tremendous increases over pre-war years were made possible partly by favorable weather and by high feed reserves accumulated before 1943. On the other hand, the 1943 output was produced with 6 percent fewer workers than in the pre-war period; also a less experienced labor force, and with shortages of new farm machinery, building materials, containers, and some other supplies.

The record production in 1943 and the prospect of continuing this high level in 1944 are an indication of the tremendous production capacity in agriculture that could be drawn upon if need arises and if farmers are given sufficient time to mobilize resources for all-out production. Fortunately, farmers had purchased a large volume of farm machinery in the years 1937-41 and therefore were fairly well equipped in most regions despite the small amount of new machinery made available in 1943. The large increase in tame hay and plowable pasture which took place during the 1930's created a reserve of land and fertility that could be drawn upon in wartime. Although we have been depleting those reserves to a certain extent there are no indications that wartime changes in farming have caused large scale permanent injury to soil resources.

Favorable weather often is mentioned as being responsible for a large part of the increase in wartime output. If average yields for the years 1923-32 are taken as 100 percent, all the years since 1936 are above that level. However, recent studies of weather conditions in relation to crop yields indicate that with average weather conditions we can expect as much as 20 percent higher crop yields than those experienced in the 10-year period 1923-32. If this higher yield expectancy is borne out over a period of years it represents a remarkable change within a relatively short period.

We are beginning to reap the results of many improvements in farm practices that have come to the forefront in recent years. Adoption of hybrid seed corn in the Corn Belt has increased yields per acre in that region by about 20 percent. New corn hybrids adapted to areas outside the Corn Belt will make possible further increases in yields per acre for the country as a whole.

There has been a remarkable increase in per acre yields of cotton in recent years. The acreage in cultivation on July 1, 1944, adjusted for average abandonment is less than 50 percent of the cotton acreage harvested in the years 1923-32. However, the indicated yield per harvested acre is 155 percent of the 1923-32

average with the result that estimated production is 76.5 percent of the average output in those years. Cotton yields have increased most in the Delta areas where the average yield in the years 1938-42 was 178 percent of the 1923-32 average. In addition to favorable weather, some of the reasons for the increased yields of cotton are (1) increased use of fertilizer (a larger proportion of the acreage fertilized and application of about a third more fertilizer per acre); (2) more winter cover crops; (3) improved varieties; (4) more effective boll-weevil control; and (5) selection of more productive land for the smaller acreage of cotton.

POST-WAR EFFECTS OF BETTER FARMING

Further adoption of known improvements in farming will tend to increase farm output in the post-war years. Increased use of fertilizer and lime offer the greatest potentialities. For example, on a group of West Virginia farms a ton of ground limestone and 180 pounds of triple superphosphate per acre increased forage production 57 percent and the protein content of the forage more than 40 percent. The use of commercial fertilizer has more than doubled in the period from 1934 to 1943. After the war, production capacity will be available for a greatly increased nitrogen output. If increased use of nitrogen is balanced with comparable increases in phosphates and potash, and with application of lime where needed large increases in yield per acre could be expected on both crop and pasture lands. Other land management practices, such as improved rotations, contour tillage, and strip cropping, also will make important contributions to increased yields.

Use of improved varieties is one of the easiest, cheapest, and surest ways of getting higher crop yields. New soybean varieties are being developed that promise increases similar to those experienced with hybrid seed corn. New strains of wheat, oats, barley, and flax also will increase yields per acre of these crops as soon as the new varieties become more fully adopted.

Substitution of high quality hay and pasture (alfalfa, lespedeza, kudzu, Ladino clover, and improved grasses) for the lower yielding types could increase roughage production 25 to 30 percent and in that way provide an increased feed supply for livestock. The greatest increases in livestock production are likely to come through use of a larger feed supply and better care rather than through breeding improvement. However, cross breeding, artificial insemination, and more effective disease control also will increase livestock production in the next few years.

Purchases of farm machinery are likely to become greatly accelerated as soon as more machines are manufactured. Small machines are likely to be developed to sell at prices that will attract purchases by operators of small farms. As tractors and trucks are substituted for draft animals the land which formerly produced feed for work stock will produce commodities for sale. The shift to tractor power since 1920 has made available over 60,000,000 acres of crop and pasture land for the production of products for the market. If the annual decrease in horse and mule numbers that is now under way continues until 1950 there will be nearly 2,000,000 fewer horses and mules on farms at that time. This shift would make available another 8 to 10 million acres of crop and pasture land on which to produce farm products for sale.

There would also be about 460,000 additional tractors on farms in 1950. Each additional tractor would save about 800 hours of man labor per acre if it is used with appropriate tillage and harvesting equipment.

Many new machines are likely to have considerable adoption in the next few years. Among these are the mechanical cotton picker, the improved cotton stripper, rice combines, flame cultivators, hay dryers, and manure loaders.

Production per worker for sale and for use in the farm home nearly doubled from 1910 to 1944 as a result of farm mechanization and other improvements in farm practices. Rapid mechanization and further adoption of other known improvements could result in even greater output per worker by 1950.

Accelerated adoption of improved practices is likely to exert considerable pressure for increased output when labor, machinery, and fertilizer become more freely available. A considerable amount of new land development is also getting under way. The marketable output of farm products could be increased in the post-war period in four different ways: (1) expanding the area of cultivated land; (2) shifting to more intensive crops and livestock; (3) increasing crop yields and output per head of livestock by use of improved practices; and (4) shifting to mechanical power. To what extent the physical potentialities for increased production will be realized depends on market outlets and on the kinds of programs of education, assistance, and encouragement that are developed. It is recognized

that there also are some factors tending to offset the pressure to increase production. One of these is the possibility of less intensive use of land to maintain soil resources; another is the tendency not to work as long hours in peacetime as in wartime. But the pressures tending toward production increases seem much more powerful than those which would retard production, unless they are restrained by shrinking market outlets and lower prices for farm products.

IMPLICATIONS OF INCREASED EFFICIENCY

It often has been assumed that increased efficiency in operating individual farms will benefit all farmers and also society as a whole. Cost reductions that increase output per farm result in increased income to the operator, unless other farmers also increase output. Then if demand for the product is not increased sufficiently to offset the increase in output the price of the product may go down even to the point where the farmer receives less for a larger volume of products than he previously did for a smaller quantity. This would mean that more than the net gain from increased efficiency would be shifted to other groups and the farmer's income would be lowered. In addition to the effects on the farm operator we need to consider the workers that are displaced by improvements in farming. The Nation as a whole must give due consideration to employment for the displaced workers as well as for the income of those remaining in agriculture.

Improvements in farm technology will bring a net gain for the Nation only if there are other employment opportunities readily available for the displaced workers and if we have a continued high demand for farm products. If consumer purchasing power is not maintained, there will be constant pressure of unemployed people on the land. This situation would delay adoption of some of the improved practices that have been described and would therefore tend to slow down the increase in output. However, experience in past depression periods has shown that output would not be reduced enough to prevent chronic surpluses of many products.

Increased efficiency in farming means that less effort is required to produce farm products and that therefore more labor and more time is available for the production of other worth-while goods and services, and for increased leisure. But ways need to be found to keep market channels open for the volume of farm products that are needed in a balanced national economy and to make other employment opportunities available for workers that are no longer needed in agriculture.

MARKETING FARM PRODUCTS

(Prepared by F. L. Thomsen)

In the reconversion from war to peace, agricultural marketing problems will be even more important and difficult than those which arose in mobilization for war. Many of these problems will be a resumption in accentuated form of those which prevailed before the war. Surpluses of foods, in the face of widespread malnutrition, have long constituted one of the most exasperating anomalies of civilization, and a glaring weakness of our distribution system. The problem which they present will be intensified after the war because of the difficulty of readjusting agricultural production to peacetime needs. The primary post-war marketing problem, therefore, will be to find satisfactory market outlets for the "surplus" products of our farms.

Other post-war marketing problems arise out of the changes in food marketing conditions which have been brought about by the war and which will again be drastically altered by the ending of hostilities. These problems of readjustment will be complicated by marked technological changes in processing and transportation methods which already are under way and which promise to virtually revolutionize the production and marketing of many perishables.

DISPOSITION OF WARTIME CONTROLS

One of the first problems in dealing with post-war conditions in marketing will be to dispose of the many wartime regulations and controls affecting the marketing of farm products.

"Disposition" does not necessarily mean elimination. Some of these regulations, such as those designed to reduce the number of deliveries of milk and to stop the sale of bread on consignment to retailers, may be found to have such

desirable results that we will want to continue them even in peacetime. Other regulations may be found to be necessary or desirable only for a year or two after the war.

Most controls should be discontinued at the earliest practicable date after the cessation of hostilities. It is not as simple a proposition, however, as many people seem to think. Producers, consumers, and marketing agencies have adjusted their buying and selling operations to these regulations. It would be highly unsatisfactory to eliminate wartime controls merely by issuing a general blanket order. Discrimination and judicious timing are required.

REENTERING COMMERCIAL INTERNATIONAL TRADE IN FARM PRODUCTS

During the war exports of farm products for use by the armed forces and our allies greatly increased, but commercial exports dwindled to very small proportions. After the war we will be faced with the task of getting back, and if possible expanding, our commercial export outlets. One way of doing this is to support general policies favoring the exchange of our products for those of other nations. Foreign trade is not a one-way proposition. We cannot hope to permanently increase our exports unless we stand ready to accept increased imports of those commodities which other countries are better able to produce.

The advantages of an expanded international trade are not theoretical but represent practical benefits which can mark the difference between a prosperous and a depressed agriculture. Farmers seem increasingly aware of this, and we believe that after the war they will stand ready to support, even more than in the past, those public policies which will contribute to a healthy recovery of foreign trade.

It is important, also, that all possible specific methods of expanding foreign markets for our agricultural products be examined carefully and open-mindedly. Some of these possibilities will be old devices revamped to meet post-war needs. But we may also require some totally new approach, such as an "international commodity exchange" which among other things could buy from surplus-producing nations the commodities which cannot be moved into commercial domestic and export trade channels at satisfactory prices. Such surpluses might then be disposed of to deficit countries having large numbers of people with very low incomes and hence unable to buy these products in the open market. Such entirely new approaches to the expansion of international trade in farm products, although new and subject to various possible disadvantages, at least are worthy of consideration.

EXPANDING DOMESTIC CONSUMPTION

Vigorous efforts also should be made to increase domestic consumption of food after the war. The additional market is there, if we can but reach it. Studies have shown that even in the United States vast numbers of people are underfed and underclothed. To meet adequate nutritional standards for all our people would require the consumption of large additional quantities of animal products and of fruits and vegetables unless our food consumption habits were materially changed.

When all is said and done, of course, the best way to obtain increased domestic consumption of farm products would be to maintain consumers' incomes sufficiently high to permit adequate diets for all. The potential effect of this on demand is indicated by the appearance of food shortages during the war, despite the fact that per capita civilian consumption was above that of many pre-war years.

But even if national income remains at a high level there will be a considerable number of people unable to afford an adequate diet. To the extent that full employment is not achieved, the number of such people will be increased. It seems apparent, therefore, that much could be done to expand the domestic market by encouraging greater food consumption by the low-income groups, through programs such as 5-cent-milk distribution, free school lunches, and "the stamp plan." Such programs not only result in giving the poorer consumer groups better diets but also in the disposal of additional quantities of food which otherwise would compete directly with food sold in regular commercial channels of trade. The alternative is to see that every family has enough income to permit adequate food consumption.

INCREASING MARKETING EFFICIENCY

The reduction of the spread between farmers and consumers would be one of the most lasting and beneficial ways of making cheap food available to the masses of consumers, thereby increasing domestic consumption without reducing returns

to producers. It is worthy of our close attention in making post-war plans for marketing.

Farmers and consumers alike long have protested against the high cost of distribution. Careful research has shown that, contrary to popular impression, the price spread between the farmer and consumer usually is not in any large degree attributable to high profits, speculation, or unethical business practices, but to a multitude of conditions which contribute to inefficient distribution.

There is no doubt that much could be done to improve efficiency and reduce the costs of marketing. But this would require real effort and a spirit of teamwork which producers, consumers, and middlemen have not frequently demonstrated.

One of the factors responsible for inefficiency in marketing, for example, is the long list of internal trade barriers which have been erected by the States and municipalities to further local interests. Until it is realized that such actions in the end are harmful rather than helpful, we cannot expect to make much progress in increasing marketing efficiency. For in every present inefficiency somebody has a vested interest. We cannot expect others to forego these benefits unless we are willing to reciprocate.

READJUSTMENTS IN PROCESSING AND MARKETING FACILITIES AND METHODS

The war has greatly accelerated technological progress in relation to food processing and marketing. Some of the technological developments in food utilization which have been introduced during the war to meet special requirements of the armed forces and lend-lease no doubt will be abandoned after the war. But there are so many new developments in prospect that it is safe to predict that, in the several decades following the peace, marked changes in the marketing of perishable agricultural commodities will occur.

Important among these newer technological processes are dehydration, the freezing preservation of food, and air transport. New industrial uses for farm products also are in the offing, although their favorable effects on market outlets for farm products will be at least partly offset by the development of competitive synthetic textiles and other products made from nonagricultural raw materials.

Among the many post-war problems which will be presented after the war as a result of these developments are the following: (1) How can food dehydration facilities be converted to peacetime uses? (2) How can air transport equipment and personnel released by the armed forces be used in transporting farm products and opening up new export outlets? (3) Will dried milk seriously affect the established fluid-milk markets and specialized dairy production areas, and how can we make this new product an aid to dairy producers in seeking new markets rather than merely a different form of competition? (4) How can we promote the orderly development of the frozen-food industry to prevent gluts and other difficulties which may arise from too hasty conversion and the present lack of distribution facilities and home storage equipment? (5) What are our post-war needs for assembly and processing facilities to meet new technological developments in production, such as extractor, cleaning, and conditioning equipment of cotton gins to care for mechanically harvested cotton?

Farm leaders and agricultural businessmen seem unusually well aware of the imminence of these post-war marketing problems, and the desirability of taking steps to meet them before they arise. Concern has been expressed lest we plunge into peace no better prepared to deal with the resulting problems than we were to cope with war. Another test is coming in agricultural marketing, as severe as that which immediately preceded and followed Pearl Harbor. Let us hope we will be prepared to meet it.

AGRICULTURAL PRICE POLICIES IN THE POST-WAR PERIOD

(Prepared by Oris V. Wells)

Since farm prices were stabilized in the spring of 1943, farmers have chiefly worried over production and the factors immediately affecting it—labor, farm machinery, fertilizer, feed, and always, of course, the weather. Questions are now beginning to be raised, however, as to agricultural prices during the years ahead.

As a background for the discussion of questions which should be considered and the alternative policies which might be followed, there are two sets of facts which need to be kept in mind.

First. Agricultural production for sale or use by farm families was over one-fourth greater in 1943 and will be almost one-third greater in 1944 than the average for 1935-39. A new record has been established each year since 1939 and this gain in production can be maintained or further increased in the years following the slowing down of the war effort.

Second. Farmers have already received assurance of substantial aid in supporting prices under the so-called Steagall amendment and the Agricultural Adjustment Act of 1938, as amended by the act approved October 2, 1942.

That is, the Congress has directed the Secretary of Agriculture or the War Food Administrator to support prices for the basic agricultural commodities—corn, cotton, wheat, rice, tobacco, and peanuts (for nuts)—and for commodities for which substantial increases in production have been formally requested. Such increases have so far been requested for soybeans, flaxseed, and peanuts for oil, potatoes and sweetpotatoes (when properly cured), American-Egyptian cotton, hogs, eggs, chickens (excluding chickens weighing less than 3 pounds and all broilers), turkeys, and milk and butterfat. Prices are to be supported at not less than 90 percent of parity (or, in case of the feed crops, 85 percent, and cotton, 92.5 percent) for 2 years from the January 1 following the date on which the President or the Congress shall have proclaimed hostilities to have ended.

This is a far more difficult assignment than anything contemplated in the Agricultural Marketing Act of 1929 or the Agricultural Adjustment Act of 1933. But the commodities covered only account for about 65 percent of the cash farm income since fruits, vegetables, beef cattle and veal calves, sheep and lambs, and wool are not covered. Questions will, of course, be raised relative to these and other commodities, and the Congress has also directed that so far as possible such commodities shall also be supported at a fair parity relationship.

Perhaps the domestic demand will continue at a high level, and this, together with the foreign shipment of food and other commodities for relief will be sufficient to clear the market during the conversion or transition period. Perhaps not. As a result, careful consideration should be given to the question as to whether enough funds are available to support prices in case of a slackening in demand and as to whether adequate authorities exist for satisfactorily disposing of the commodities which might be turned over to the Government.

Another question which should be considered has to do with the removal of wartime orders, allocations, rationing and price control. Although it is desirable to remove such controls as fast as conditions will permit, it is also desirable that such controls should be retained as long as they are actually needed. The decision as to when such controls are to be removed should depend upon the extent to which supplies are available to meet the effective demand. The control record so far is on the whole good and restrictions should not be removed at a time or in a manner which will encourage inflation and speculation, including speculation in farm land. Prices for farm land have already shown a considerable increase and a speculative boom should be guarded against. Farmers are reducing their farm mortgage load and if this continues they will be in a much stronger economic position than was the case following World War I.

As we turn to the post-war period itself, one of the first questions in the price field centers around the general goal for agricultural prices or the share of the national income to which farmers are entitled.

So far as satisfactory prices are concerned, the discussion centers around the parity standard. As an average, parity prices as now calculated appear to be a reasonable goal given full employment and an active foreign trade. But some revisions in the parity prices for specific commodities are needed if the parity standard is to be continued, and there are, of course, those who feel that some better standard should be devised or that the entire parity approach should be dispensed with.

Some are sure that the goal should be parity income rather than parity prices as such. Actually, the real goal is to give farm and nonfarm families an equal standard of living and it is doubtful if this can be measured by any single statistical device or standard. But prices serve as a convenient administrative standard and much of the current argument turns around finding some more satisfactory manner of calculating parity or forward prices than is now used.

This also leads to a second set of questions relating to the means of assuring satisfactory prices for farm commodities or maintaining farm incomes at a desirable level. The current price support program suggests one approach. But certain conditions must be met if a successful and continuing support program is to be developed. Prices must be set at a level which will assure reasonable returns to farmers, guide production toward those crops and classes of livestock which are

most needed and not result in food costs out of line with what consumers can afford. At the same time, adequate funds and authorities for administering such a program must be available and on the average the entire production must be consumed. Sizeable stocks of some commodities can be used to offset year-to-year changes in production and to some extent demand, but stocks of even these commodities cannot be continually increased.

Since there are circumstances under which these conditions might be difficult to meet, there are some who feel that the general price support program should not be continued. Rather, their suggestion would be that agricultural prices should be allowed to seek their own level in order to encourage the maximum use of agricultural commodities both at home and abroad and that supplemental payments should be used to maintain farm income, provided such assistance is required. Such a suggestion also offers difficulties as well as raises the question as to whether such payments would be accepted as a general substitute for satisfactory prices in the market.

Such suggestions as these do indicate two conditions which should be met in case a general support program is continued. First, ways of assisting families with low incomes to obtain adequate food and clothing should be devised; and second, the support-price program should be so arranged as to encourage foreign trade. Some are afraid that support prices will be so administered as to force American commodities out of the foreign market. Such a result could perhaps be avoided through either the use of some form of a two-price system or of supplemental payments to assure returns to producers while at the same time allowing the commodity to move forward at a relatively low cost. Something more is also needed and the suggestion that the several nations might work together to increase consumption and assure each of the exporting nations its fair share of the world market should be considered. Such a solution would involve the use of agreements or other commodity arrangements which should, of course, fit into such a general framework for encouraging world trade as might be developed.

FOREST CONSERVATION AND DEVELOPMENT

(Prepared by Raymond E. Marsh)

Forests, occupying one-third of our land area, are one of the Nation's greatest and most essential resources.

This Department regards it of the utmost urgency that the Nation's post-war plans include comprehensive measures to stop unnecessary destructive exploitation, and to restore and keep in reasonable productivity the great acreages of wholly idle or seriously deteriorated forest land.

A few highlights of the forest situation will provide a necessary setting for the action recommended:

Only about 20 percent of the 462,000,000 acres of commercial forest land remains in old-growth timber. Much of that is economically unavailable. Of the remaining 80 percent, a very large part is now only partly productive. Heavy cutting and the inroads of fire, insects, and disease leave much land poorly stocked and often occupied by inferior species and cull trees. Some 77,000,000 acres are so severely cut over and burned as to preclude early reestablishment of commercial stands without planting—an area three times the size of Virginia.

Nationally, saw-timber drain before the war exceeded annual growth by 50 percent. In the 30 years prior to 1938 the total stand of saw timber declined almost 40 percent.

The impact of the war has been to worsen an already unsatisfactory forest situation. Lumber and pulp are among the most critical war materials. The most essential demands have been met only by drawing lumber stocks down to less than 50 percent of normal and by drastically curtailing important civilian consumption.

Our forest capital or growing stock has been further impaired. Saw-timber drain has increased about 25 percent to almost double growth. In many localities the situation is acute, with dependent industries having to cease for lack of timber. High prices, pressure to increase output, and scarcity of accessible old-growth timber have combined to stimulate the premature cutting of young second growth throughout the East and South, and in some western localities. Such cutting involves a sacrifice of growing stock that will adversely affect usable forest crops for decades. It often leaves the land entirely nonproductive. With some exceptions the level of woods practices in old growth has been lowered. The liquidation

of privately owned old growth in forests of the West, where present and prospective supplies are insufficient to support existing mills for long, is being hastened.

These comments are not to criticize sacrificing our forest resources to the extent necessary to win the war. The result, however, is to accentuate the importance of forest rehabilitation.

The urgency of remedial action is further emphasized by the likelihood that our forest-product requirements will continue at present high levels after the war. There are huge accumulated civilian requirements for housing and many other purposes. There are fascinating possibilities for the development of new uses of wood through chemical conversion and other new treatments. The trend of paper and paper-products consumption is still definitely up. Large potential demands upon our forests for reconstruction in Europe and the Orient are dependent upon international trade policies and exchange.

Such an outlook for forest requirements, despite the forest problem it imposes, should be welcomed. It broadens the potential economic and social utility of the great area of land suitable only for forest use.

Forest productivity and services are an essential feature of our whole national economy. They have a particularly close relation to the farmer. Nearly one-third of our forest land is on farms. This in itself affords a fine opportunity, as a rule only partially realized, for enhancing the farm income. The farmer himself is one of the greatest consumers of wood products. Forest and forest-industry work affords needed part-time employment in rural areas. Forest watersheds are the main source of irrigation water.

Against this background this Department advocates dynamic, comprehensive action, to be effectuated as soon as practicable, including:

1. A program of forest works for forest rehabilitation and development. This includes among other things forest planting; weeding, thinning, pruning, and other cultural work; fire-hazard reduction; and the construction and reconditioning of necessary physical improvements such as fire-lookout towers, forest roads and trails, landing fields, and telephone lines; control of injurious insects and disease; range reseeding; the expansion of facilities needed for recreation, watershed protection, and other forest uses; and for administration and research.

This work is eminently sound on its own account. Moreover, it is ideally suited to the relief of unemployment. Most of it can be undertaken at short notice, and the value of work accomplished is not lost when the program of employment is curtailed. Such work does not compete with private industry. For the most part it requires relatively little skilled labor or special equipment. Much of the equipment required, such as dump trucks, bulldozers, compressors, and small tools, should be made available by transfer from military surplus. Such work is well adapted to a system of work camps—perhaps somewhat on the order of the Civilian Conservation Corps. And it is suited also to the employment of local residents.

On public forests this work is well suited for handling as public works. Preliminary estimates for the national forests alone—by all odds the largest public forestry enterprise—indicate a program of over \$1,300,000,000.

Unsatisfactory conditions on private forest lands justify a large program of work on them also with particular emphasis on protection against fire, insects, and disease.

This Department, through the Forest Service, is giving all possible attention to the preparation of a works program. But for maximum economy and efficiency a great amount of detailed planning in the nature of blueprint preparation is needed which is impossible to do with available facilities.

2. Public acquisition of a large acreage of forest land now in private ownership. This includes lands that have been reduced to nonproductive condition by erosion, destructive forest practices, fire, and misuse; other lands plainly submarginal for permanent private ownership; and lands essential for watershed or other public purposes. Public acquisition should be an important part of a public-works program. High priority should be given to some 35,000,000 acres within the boundaries of existing national forests. To remove certain local inequities incident to Federal ownership, the present method of financial contributions to local government on account of national-forest lands should be improved.

Related to this is the disposal of surplus forest lands now held for military use. The 3,000,000 acres of national-forest land now occupied by the Army and Navy will, of course, be returned to their former status at the close of the war. In addition nearly 1,000,000 out of the 7,000,000 acres purchased from private owners for military use are primarily suited for public forest purposes in peacetime. These should be added to the national or State forests rather than opened for entry or offered for sale.

3. Effective public regulation of cutting and other forest practices on private forest land to stop destructive cutting and keep forest lands reasonably productive. This Department has advocated a plan which would provide for Federal leadership, and for actual participation in those States which fail to enact and administer regulation consistent with standards fixed by the Federal Government.

Some 90 percent of our timber cut comes from private lands. Even after the public acquisition advocated, private lands will always remain the main source of timber supply. Despite excellent forestry by many private owners, the great bulk of the private cutting is done without conscious regard for keeping the lands reasonably productive. It is fully as important to stop destructive cutting as it is to prevent destruction by fire, insects, and disease.

4. Strengthening of all phases of forest research. Emphasis should be given to forest-products research, and to pilot plants for commercial demonstration of new processes and products, as a basis for new outlets for nonmerchable species and trees, and for the great volume of material which now goes to waste in woods and mill operations. There are great potentialities along these lines.

5. Strengthening of public aids to farmers and other private owners in the protection and management of their forests. Progress may be expected from recent enactment of Public Law 296, increasing from 2½ to 9 million dollars the authorization for Federal assistance in forest-fire protection, and of Public Law 273, authorizing integrated sustained-yield management of national-forest and interspersed or adjacent private lands. Additional authority is needed to expand technical assistance to private owners, to provide public credit especially adapted to needs of sustained-yield forest management, to facilitate forest cooperative associations, and to provide more adequately for protection against forest insects and disease.

In conclusion: Despite the establishment of the national-forest enterprise and numerous other forward-looking Federal, State, and private forestry undertakings, this country has never adopted an adequate forest conservation policy. Broadly speaking, we have continued to dissipate our forest resources—to live on the principal, instead of on the yield. In the judgment of this Department, a comprehensive program of the character recommended is greatly needed.

SOIL AND WATER CONSERVATION

(Prepared by Melville H. Cohee)

The intensive crop production required by the war has unavoidably set the national soil and moisture conservation program back. It now is essential that we plan carefully to catch up with the problem and make plans for technical personnel and equipment to enable the carrying out of these plans.

It is true that there has been no widespread plow-up of lands unsuitable for cultivation as there was during the last months of World War I and the period following, because the farmers of America—particularly in the wind erosion areas where a great deal of this damage occurred—are well aware of the hazards involved since their experiences of the early thirties. However, work on the land to control erosion, rebuild damaged lands, and establish a pattern of correct land-use for our farm lands has been slowed up. There has been, as is well known a great demand on the part of the military establishments for heavy equipment of the types required in carrying out the various practices which are part of the soil-conservation program. This demand in the early stages of the war rightly had first priority. Also, a great deal of the technical personnel of Federal and State agencies was called into the service of the Army or Navy. The very training and experience which made them valuable in conservation work made them valuable likewise to the armed forces who again had first priority. Furthermore, because of the necessity for greater increased production, certain technical groups had to devote practically their whole time to supervising the application of specific measures designed first of all to increase crop yields rather than work on the more permanent basic soil conservation measures.

The result has been that available technical personnel has had to spread itself very thinly over the whole job, in spite of a steadily increasing demand for such work. Because of these facts, we have lagged behind somewhat. Before the United States got into the war, we were approaching the point where we could say that we were at least holding our own against erosion—today we are not. The job now is to obtain personnel, equipment, and material, not only to catch up with erosion, but to forge ahead and conquer it as swiftly as we can.

A recapitulation of soil damage in the United States shows that 300,000,000 acres or more of United States farm lands have been and are being damaged by

erosion. This total breaks down approximately thus: Fifty million acres of former cultivated land have been forced out of production by excessive erosion, and another 50,000,000 acres have been so severely damaged that they invite abandonment; a second 100,000,000 acres have been eroded by wind and water until half the topsoil is gone; and on a third 100,000,000 acres erosion is taking the topsoil inch by inch.

This presents a rather grim picture of our situation as of today. We can add another 100,000,000 acres to our cropland capital, if necessary, by taking some from farm woodland, some from pasture, and carrying out clearing, drainage, irrigation, and other water-conservation measures, and erosion control and soil-building measures to make it productive and stable. This will add not only to our potential cropland resources, however, but likewise to the magnitude of the job yet to be done, a job which needs technical personnel and, especially in such work as the above, heavy dirt-moving machinery.

The Soil Conservation Service has made a Nation-wide inventory of the needs of the Nation's farm lands, which will serve as a measure of the size of the task and as a guidepost to its accomplishment. Some of the figures indicating the land's needs in terms of specific soil and moisture conservation farming practices are impressive:

Forty million acres of land unsuited for cultivation should be shifted to grazing or woodland.

One hundred million acres should be taped down by terraces to prevent erosion and promote water conservation.

Forty million acres of good farm land is in need of improved or new drainage.

One hundred and sixty-five million acres need the protection of contour cultivation annually to prevent erosion and promote water conservation.

Eleven million acres need field and gully plantings.

Ninety million acres should be planted to strip crops to prevent erosion and promote water conservation.

One hundred million acres of farm woodland need improvement.

Ten million acres need repair or improvement of farm irrigation systems.

Seven million acres should be put in permanent water courses and outlets.

Five hundred and sixty thousand stock-water ponds must be built.

One hundred and thirty million acres of pasture and range need reseeding, fertilizing, liming. Much of this land also needs measures to increase water absorption.

Four hundred million acres of grazing land should have improved management, including proper stocking (numbers of livestock in accordance with carrying capacity) and on 267,000,000 acre of this land deferred grazing should be practiced. Nearly 1,000,000 acres of stream banks should be stabilized to help prevent silting damage to down-stream areas and reservoirs, and erosion of fields. This work, together with border strips and other needed measures on 3,000,000 additional acres, will greatly aid in the enhancement of this country's wildlife resources, including fish, fur-bearing animals and game birds.

The various practices likewise will make an important contribution to flood control. Soil and water conservation is a watershed problem and must be solved on a watershed basis. The measures that keep soil in place and control the run-off of water on watersheds help minimize floods below. The inventory indicated that only 71,800,000 of our 1,060,000,000 acres of farm land do not need such practices.

These are the major needs and the major practices. Conservation farming may require half a hundred other practices, depending upon the land and its use. Some measure of the job may be determined from the fact that the Soil Conservation Service has estimated that approximately 2,000,000 man-years of labor, from all sources—farmer and outside assistance—will be necessary to do the job. Of this amount of labor it is calculated that 470,000 man-years of labor could be used during the first 4 years of the post-war period.

While the actual accomplishment of this task must be considered as a post-war undertaking, it is by no means a problem arising from the war. It would have had to be done even though there had been no war. It is a problem of peace, and a primary one among those that must be successfully solved if we want peace to continue on a sound and equitable basis.

Two things are essential to the carrying out of this vital task:

1. We must have adequate technical personnel to supervise the application of all this work to our valuable farm lands.

2. We must have heavy equipment of many types to do that part of the essential work that cannot be done by the light equipment owned and operated by most

farmers. The program could conceivably be delayed years if such equipment were not available.

Research in the techniques of soil and moisture conservation should be continued since it is resulting in improvement of methods. Typical of conservation research is recent study in raindrop erosion carried out at the Coshocton, Ohio, Experiment Station. Using devices which can produce almost any kind of weather, from a gentle drizzle to a drenching downpour, and tilting plots of soils of various types, scientists have found that the impact of individual raindrops dislodges more soil than does water rushing over the surface of the ground. This discovery provides a basis for planning cropping systems, and in particular emphasizes the importance of cover crops, removing them from the "advisable" column to the "essential."

Likewise of great importance is the educational phase of the conservation program. As in any program of accomplishment, education of the public to the need is essential.

All over the country, the farmers themselves have direct supervision over the application of soil and water conservation methods to the land. Some of this control is through soil-conservation districts, 1,148 of which have been organized in 45 States, embracing more than half the farms of the country and more than half of the farm lands.

Farmer control of the application of conservation work to the farms of America likewise is effected through the agricultural conservation program administered by committees of farmers in practically every agricultural county in the Nation.

It is important that every possible assistance be given these groups, particularly soil-conservation districts whose boards of supervisors now are developing detailed plans for carrying on the work within district boundaries during the post-war period.

It should be clearly understood that conservation is not a job to be tackled entirely by the Government at the Federal, State, and local levels. There are certain responsibilities which the farmers of America must shoulder themselves and there is no question that the farmers understand this, for already they are shouldering these responsibilities all over the country. On the State level appropriations are being made from State funds to assist soil-conservation districts in carrying out their plans. Approximately two-thirds of the States which have soil-conservation districts have made modest appropriations to date, and it is anticipated that most of the others will do so. Similarly, the Federal Government must assume a sizable portion of the job, particularly in connection with dam construction, major drainage operations, and similar heavy construction work of a community benefit nature. Since soil- and water-conservation work is a national problem, and Federal participation is essential to the success of the complete program, we feel that the Government will wish to provide necessary funds and every facility possible to its agencies created by law to carry out the program.

RURAL ELECTRIFICATION

(Prepared by James Salisbury, Jr.)

This statement is intended to furnish information on the status of rural electrification and to suggest a program of action which includes a substantial segment of the total job that remains to be done before all farms of America have this essential service.

Interpretation of informations presented herewith are based on the pioneering experience of the 869 Rural Electrification Administration-financed electric co-operatives and power districts, the Rural Electrification Administration of the Department of Agriculture, and other groups responsible for the development of rural electrification since 1935—a development which has resulted in an unprecedented increase in the number of farms electrified in the relatively short period of 9 years.

Farm electrification advanced very slowly during the 53-year period from 1882 to 1935. While a few farmers were connected to central-station power prior to World War I, it was not until the early twenties that the progress made in electrical engineering was reflected by a small increase in the number of farms served. Slightly more than 10 percent of American farms had electric service in 1934, as compared with almost universal electrification in many foreign countries. This had increased to 42 percent by June 30, 1944—a growth of 245 percent in the number of farms receiving service.

STATUS OF RURAL ELECTRIFICATION

The United States census of 1940 reported that 1,853,249 of the 6,096,799 farms in the United States were receiving central-station electricity. Since 1940 it is estimated that approximately 704,000 farms have been connected to rural lines, bringing the total number of electrified farms to about 2,500,000 as of January 1, 1944. On the basis of this estimate some 3,540,000 farms are without high-line service.

Of the 15,707,320 American rural homes, which includes rural farm and nonfarm dwellings, the census reports 7,151,188 were without electric service. About 829,000 farm and rural homes have been connected to rural power lines since the 1940 census was taken. Some 6,322,000 rural homes are still without electric service.

OBJECTIVES OF A PROGRAM OF NATION-WIDE RURAL ELECTRIFICATION

(1) *Electric service to all rural people.*—The extension of central station electric service at low-cost nondiscriminatory rates to all farms and rural communities should be the ultimate goal of a national rural electrification program.

(2) *Optimum application of electricity to farm production and farm family living.*—This objective will become increasingly important as more and more farms receive service. We have not scratched the surface, so far as utilization of electricity in agricultural production is concerned. It offers an opportunity to bring about a more efficient and more diversified type of agriculture which is going to be needed in the post-war period. There is still another aspect of rural electrification which involves better living on the farms. Electricity not only makes farm life more enjoyable through the elimination of drudgery and through the bringing of modern conveniences to farms; it also offers an opportunity for better health through refrigeration and sanitation equipment.

(3) *Optimum use of electricity in rural communities.*—To the extent that social and economic progress of rural communities lags behind progress of urban centers there will be a retardation in the welfare of the Nation as a whole. Extension of high-line service to rural communities measurably contributes to their progress.

(4) *Development of rural industries.*—New rural industries and the possibility of industrial decentralization offering both full and part-time employment hold forth the promise of important public benefits. Widespread utilization of power resources in rural areas will facilitate such development, as Tennessee Valley Authority has demonstrated in peacetime as well as in wartime.

The early American farmer and his community aimed at maximum self-sufficiency as a matter of necessity. The dangers of the predominantly one-crop agricultural economy of the late twenties were revealed by a Nation-wide depression which found millions of farm families unprepared to make effective use of their potential resources. However, a complete rural self-sufficiency in this day and age is incompatible with modern standards of living. A national rural-electrification program should therefore include the extension of power resources to rural industries to the end that the resources of these rural communities may be employed in building a better, more stable rural life.

POST-WAR ELECTRIFICATION REQUIREMENTS OF FARM AND NONFARM RURAL ESTABLISHMENTS

Recent estimates of Rural Electrification Administration indicate that about 5,400,000 farm and other nonfarm rural establishments now without central station service are potential consumers to be served by rural power systems after the war. These estimates are based on census data, on supplementary information provided by the annual Rural Electrification Administration surveys, on an analysis of 650 county-wide unelectrified farm surveys conducted by Rural Electrification Administration financed systems scattered throughout the country, and related data from cooperatives' operating reports and experience records of Rural Electrification Administration. This estimate of potential rural consumers includes rural establishments such as schools, churches, rural nonfarm commercial and noncommercial units as well as farm and nonfarm homes (table I).

TABLE I.—*Summary of rural electrification program for construction of new distribution lines by rural power systems in the United States, Jan. 1, 1944*

[Based on Rural Electrification Administration prewar construction costs]

Total program: ¹		
Number of consumers ² -----		5,392,000
Total expenditure-----	\$1,600,161,000	
Man-years of labor ³ -----		800,000
Immediate post-war program, 5 years: ⁴		
Number of consumers-----		3,655,000
Total expenditure-----	\$1,042,052,000	
Man-years labor ³ -----		521,000
Long time post-war program:		
Number of consumers-----		1,737,000
Total expenditure-----	\$558,109,000	
Man-years labor ³ -----		279,000

¹ The total program to be accomplished from Jan. 1, 1944, will be reduced by the number of rural consumers electrified during the period of restricted wartime activity. It is estimated that an average of 11,530 rural consumers will be served each month by all rural power systems for the duration of the estimated program. This estimate is based on a careful analysis of consumers connected since the Rural Electrification Administration program's inception.

² Includes an estimate of rural establishments without electric service as of Jan. 1, 1944, which must be served by rural utility systems as distinguished from approximately 1,000,000 nonfarm rural establishments located on the fringe of urban developments which may best be served by urban utilities.

³ Direct and indirect labor involved in line construction assuming average annual wage of \$2,000.

⁴ The 5-year period after materials and manpower become available in quantities sufficient to permit general resumption of primary line construction.

AREA COVERAGE RURAL ELECTRIFICATION—A BASIC FACTOR

Area coverage service contemplates the making available of electric service to all farms and rural establishments in a given area. This approach to rural electrification inaugurated by the Rural Electrification Administration in 1935 is one of the primary reasons for the outstanding success of this program as measured by the extent of service to the American farmer and his neighbors and by sound financial records of Rural Electrification Administration-financed systems. Comprehensive coverage of the entire area allows construction and distribution cost to be spread between large and small consumers and thinly and densely populated rural areas. Because the entire area is to have high-line service designed to reach all potential consumers, it becomes possible to employ highly efficient mass-production methods in the development, construction, and operation of these rural systems. The net result is lowered costs and availability of electric service to all potential users. Isolated unserved areas or pockets of unserved consumers resulting from selective service only to those farms situated in the more densely populated areas or promising relatively large immediate loads, a practice which in the past has been referred to as "cream skimming," are eliminated.

The experience of the Rural Electrification Administration in this respect gives assurance that area coverage electrification makes electric service possible to substantially every farm and rural establishment, on a self-liquidating basis. At the same time, the cost of this electric service is one which the farmer can afford to pay.

A SUGGESTED RURAL ELECTRIFICATION PROGRAM

The first phase of the job to be done in rural electrification can be done rapidly if immediately planned. The Rural Electrification Administration estimates that electric service by rural power systems, both Rural Electrification Administration-financed and private, can be made available to 3,655,000 farms and nonfarm rural establishments in a 5-year post-war program. This program would require expenditure of approximately \$1,050,000,000 based on prices which prevailed before the war and on the basis of Rural Electrification Administration experience, would require 521,000 man-years of labor (table I).

It is of interest to note that Rural Electrification Administration, given the green light, can proceed to make a most substantial contribution toward expediting this program to its completion. Rural Electrification Administration financed systems now have a backlog of construction work amounting to approximately \$110,000,000 which can be undertaken as soon as materials and manpower are released from war requirements. In addition, Rural Electrification Administra-

tion has on hand or in process of preparation, applications for financial assistance totaling more than \$100,000,000.

The second phase of the program would achieve the long-time objective of making electricity available to remaining unserved farms and rural homes. This would involve service to 1,737,000 farms and nonfarm rural establishments and would require expenditure of approximately \$558,000,000 and would require 280,000 man-years of labor (table 1).

The carrying out of such a program of rural electrification would affect profoundly a very wide segment of our economic life. In addition to the labor and materials required for execution of the construction program, there will be an enormous demand for house-wiring materials and services, farm-productive equipment and other electrical appliances stimulated by the program, thus furnishing markets for tremendous masses of labor and materials. Rural electrification expansion may be expected to provide jobs for returning veterans and released war workers. The jobs would not be temporary in many instances because once the power network to our farms has been substantially completed, it will automatically start a market for replacement equipment and for the many new devices to be developed and invented in the future.

RURAL HOUSING

(Prepared by John M. Brewster)

There is an acute need for the improvement of rural housing. Preliminary estimates indicate that nearly a third of the farm houses are practically beyond repair, another third are in need of repairs or additions, while only approximately one-third are in good condition. Almost half of those in good condition fall short of modern standards for facilities and conveniences.

While we believe that there should be no let-up in the improvement of urban housing, it should be kept in mind, as indicated by table 1, that housing conditions upon farms are worse than in cities.

TABLE 1.—*Comparative data on farm and nonfarm houses in 1940*

	Median value of owner- occupied units	Average number of per- sons in dwell- ing unit	Percent	
			With running water	Needing major repairs
United States.....	\$2,377	3.78	69.9	18.3
Rural farms.....	1,028	4.25	17.8	33.1
All others.....	2,938	3.66	83.3	14.2

While the rural-housing problem does not stem directly out of the war, it having been with us for decades, limited repairs and replacements during the war have intensified the problem. Just as houses have been neglected during the war, so have other farm buildings. There will be need for a large program of reconditioning and replacement of barns and other farm-service buildings, as well as of houses, at the end of the war.

The following points should be taken into account in considering the means of bringing about improvements in rural housing:

1. A farm house functionally is the center of many farm activities in addition to living, thus necessitating differences in design and construction from urban houses.

2. The value of the house, regardless of cost, cannot be disassociated from the value of the farm as a going business concern. Thus a house costing, say, \$5,000 has little credit or sales value if on a farm too poor to yield a living, unless it happens to be located in relation to off-farm employment opportunities in such a way as to serve as a residence for persons working full or part-time off the farm. Putting this another way, a farmer's employment opportunity, either on or off his farm, determines the amount he can afford to spend for housing. With no off-farm employment available, the income from a particular farm limits the amount which can be used to support housing on that farm.

3. Approximately half the Nation's farms are so limited in resources that they do not furnish sufficient employment to their operators to enable them to have farm incomes large enough to support adequate dwellings.

4. From the standpoint of financing improved houses, farmers may be divided roughly into three classes, as follows:

(a) Those who have adequate cash on hand to repair, remodel, or build better houses. For this group, which makes up a small proportion of all farmers, the improvement of housing is not a serious problem.

(b) Those who have a basis for credit for repair, remodeling, or replacement of farm houses. Adequate credit on suitable terms is often not available.

(c) Those who have neither cash nor a basis for credit for the improvement or replacement of their houses. This group presents a tough housing problem.

In table 2 preliminary estimates are presented which indicate housing requirements of farm families in relation to their employment opportunities.

TABLE 2.—*Preliminary estimates of housing requirements of farm families according to adequacy of employment opportunities in 1940*

Class of farms by employment opportunities	Number of farms	Houses on farms classified by condition of houses			
		Houses not requiring repairs		Houses needing repair and/or additions	Houses beyond repair
		With minimum facilities	Without minimum facilities		
Total all classes.....	6,000,000	900,000	1,100,000	1,900,000	2,100,000
1. Full-time adequate farms.....	1,800,000	400,000	500,000	600,000	300,000
2. Part-time farms with adequate off-farm supplemental employment.....	700,000	300,000	150,000	150,000	100,000
3. Retirement farms.....	400,000	75,000	75,000	150,000	100,000
4. Other inadequate farms.....	3,100,000	125,000	375,000	1,000,000	1,600,000

The following recommendations are suggested for consideration:

1. For farms with adequate employment opportunities, i. e., units where farm resources alone are sufficient to yield incomes that will support adequate dwellings, or where farm plus off-farm employment will do so.

(a) For the benefit of farmers who have adequate cash on hand to finance improved housing, continue research and education to provide information on building materials, construction methods, and up-to-date house and farm building plans to farmers, local building supply dealers, contractors, and manufacturers of building materials. The groups mentioned below also will need such information.

(b) Provide credit facilities as follows for farmers without ready cash but who would have a basis for credit if adequate credit of the proper types were available:

(1) Amend the Federal Farm Loan Act, if necessary, to authorize land banks or the Land Bank Commissioner to encourage better rural housing for owner-operators, tenants, sharecroppers, and hired workers, including migratory workers, through lending 75 percent of the value of land and houses and necessary farm service buildings, including the buildings to be constructed, provided the loan does not exceed 75 percent of the long-time earning capacity value of the farm.

(2) Federal insurance of 90 percent of the amount of private loans on land and buildings to provide better housing and necessary farm-service buildings, provided the loan, together with prior loans, if any, does not exceed 90 percent of the long-time earning capacity value of the farm, and, in the case of part-time farmers, of such farm earnings plus estimated off-farm income. This would give farmers the same treatment as now accorded to urban dwellers through the Federal Housing Administration.

(3) Expand and modify the tenant-purchase program by amendment of the Bankhead-Jones Act to provide for:

(a) Continuation of making loans up to 100 percent of the long-time earning capacity value of the farm for the purchase of adequate family-type farms and the provision of adequate housing and necessary farm service buildings.

(b) Making loans to the present owner-operators of family-type farms, for the improvement or replacement of houses and necessary farm service buildings, and the provision of needed new buildings, provided that the loan, after

refinancing prior mortgages, if any, does not exceed 100 percent of the long-time earning capacity value of the farm, and provided the farm contains sufficient land to be an economic unit.

(c) Making similar loans to landlords who own adequate family-type farms for the improvement or replacement of houses and other necessary farm buildings or the construction of needed additional buildings, in order to encourage better housing for tenants on such farms.

(4) Continue the inclusion of funds for minor housing repairs in rehabilitation loans under the Bankhead-Jones Act.

2. For farms with inadequate employment opportunities, i. e., units where neither farm resources by themselves, nor farm income plus off-farm earnings are sufficient to support adequate dwellings. Such farms as these constitute approximately half of all farms. This problem is far more than a housing problem as such. The trouble stems mainly from the fact that the farms are so limited in resources—too little or too poor land, livestock, poultry, machinery and equipment, and too little knowledge of scientific farming—that the operators do not have a sufficient employment opportunity on their land to earn enough income, even when prices are high, to support a good living including adequate housing. Where adequate off-farm employment has not been available, these families have had no means of providing themselves with better housing.

(a) Amend the Bankhead-Jones Act, if necessary, to enable modification of the present tenant-purchase program to provide for farm-enlargement loans to owner-operators of inadequate units for enlargement of their farms to economic family-type units and to improve, replace, or provide for the construction of new houses and necessary farm service buildings, under the same terms as in the present tenant-purchase program.

(b) Where inadequate units cannot feasibly be enlarged, or where they are absorbed into large units through farm enlargement loans to their neighbors, families on such units should be aided as follows:

(1) Through making tenant-purchase loans to them for the purchase of adequate family-type farms in other areas, under which arrangement they can obtain better housing.

(2) Through encouragement of the development of rural industries which will provide them with off-farm work, thus providing them with incomes large enough to support better housing.

(3) Through special attention from the Federal and State employment services in finding for them new employment opportunities as hired workers on other farms or in off-farm jobs, combined with public purchase under the Bankhead-Jones Act of their submarginal farms.

(4) Where the occupants of inadequate units are aged persons with incomes too low to support adequate housing, and none of the three measures indicated immediately above is appropriate to improve their situation, the submarginal farms should be purchased and paid for by the Government under title III of the Bankhead-Jones Act, and the owner-occupants given lifetime estates; and where the proceeds from the sale of such farms, combined with income from the farm or from off-farm work or pensions does not permit such minor repairs as repair of roofs, screening openings, sanitary disposal of sewage, and protecting the water supply, grants should be made for these purposes under the rehabilitation loan and grant title of the Bankhead-Jones Act.

(5) Where the occupants of such inadequate units are younger persons, particularly where children are involved and a considerable period of time might elapse before the more fundamental and preferable adjustments proposed above could be brought about, temporary subsidized housing should be provided during this interval to avoid the rearing of any children in our democracy under rural slum conditions.

RURAL HEALTH

(Prepared by F. D. Mott, M. D.)

The Department of Agriculture is naturally deeply concerned about the health of farm people insofar as sound health is a necessary component of sound farm economy. Not only is a sick or physically unfit farmer unable to do a good job of farm production, but the farmer whose pocketbook has been invaded by the cost of serious or recurrent illness is unable to meet the financial needs of proper farm management.

The importance of health as a feature of sound farm management was recognized many years ago by one of the constituent agencies of the Department of Agriculture, the Extension Service, in its health educational efforts among farm youth. The Farm Security Administration and its predecessors have recognized since 1936 the importance of protecting Government loans through the provision of medical care to its borrowers and have developed, in cooperation with the organized medical and dental professions, an extensive program of group health plans. Studies by the Bureau of Agricultural Economics on medical care and the Bureau of Human Nutrition and Home Economics on nutrition have for several years shown the relationship between these fundamental needs and farm welfare. The War Food Administration's farm labor program includes extensive provision for services to domestic interstate, foreign, and certain other migratory farm laborers, as a measure necessary to insure maximum productivity of agricultural manpower.

It is evident, therefore, that health measures for farm people have long been provided in answer to felt needs in the programs of several agencies in the Department of Agriculture. No post-war plan for American agriculture would be complete without proper recognition of the need for action to meet the vast problems of rural health and sanitation. In this connection, the Department's Inter-bureau Committee on Post-War Programs has brought to light abundant material, prepared by agricultural committees in the States. Everywhere the need of rural people in terms of a high burden of illness and preventable death, high selective service rejection rates, great shortages of physicians and dentists, lack of hospital beds for general disease, mental disease, and tuberculosis, meagerness of public health facilities, inadequacy of environmental sanitation, poor nutrition, and generally low levels for all medical services received was emphasized. A wide range of recommendations was made, however, to cope with the problems.

On the basis of these contributions by the States and guided by the experience of the Department of Agriculture in the administration of certain rural health services, the following recommendations are submitted for the consideration of this committee:

1. If the Congress decides to include the provision of health services under an extended social security program in the post-war period, it is recommended that the farm population be fully encompassed under such a program. It is certainly possible to overcome the administrative difficulties usually associated with the application of social insurance to farm people, so that they may be assured a parity of modern medical services.

2. As part of any public-works program in the post-war period, it is recommended that high consideration be given to the construction of hospitals, health centers, and sanitation facilities in rural areas. The grant-in-aid mechanism, in which the proportion of Federal subsidy should be greatest to States of greatest need, would probably represent the soundest policy. Special steps should also be taken to distribute to rural communities surplus military properties useful in equipping rural health facilities, such as hospital and clinic furnishings, surgical instruments, diagnostic equipment, and X-ray machines. Mobile medical and dental units, developed by the armed services, are particularly adaptable to rural needs.

3. Special steps should be taken by the Federal and the State Governments to effect a more reasonable distribution of physicians, dentists, and related personnel to answer rural needs. Licensure barriers between the State should be relaxed, rural medical fellowships should be established, special incentives to rural settlement should be provided, and other voluntary manpower measures should be undertaken to assure adequate health personnel for the rural population.

4. It is recommended that special appropriations be made by the Federal and State Governments, utilizing perhaps the grant-in-aid mechanism, to insure that every rural county in the United States is provided with the preventive and administrative services of a full-time and well-trained department of public health. The functions of this agency should involve not only the traditional matters of communicable-disease control and sanitation, but also nutrition and accident prevention. It may be advisable for the States to arrange for groupings of rural counties into multicounty districts, in order to develop efficient units of local health administration.

5. The need for organized research to extend our knowledge of diseases afflicting rural and urban people alike must be part of any rural health program. It is time that government took a heightened interest in the organization and extension of such research on which the public welfare depends. Rural practitioners should receive the benefit of periodic post-graduate education, furthermore, to keep them fully acquainted with the most recent developments in medical science.

Special recognition should be given to the probable need for an extensive program of health services for the migratory farm labor population in the post-war period. The experience of the Office of Labor of the War Food Administration has amply proved the value of adequate health services in terms of reduced absenteeism, more effective working ability, and protection of farm communities against disease which might be imported by migrants. Because of the special problem of needy migrant workers not enjoying State residence in the areas of their employment, yet economically essential to the farm economy, it is particularly necessary that the Federal Government insure the provision of essential health services, with the cooperation of the States. As shown not long ago by the Senate Committee on Interstate Migration, we must reasonably anticipate the strong possibility of a continuing problem of migratory farm labor. We must, therefore, make proper provision for the health care greatly needed by this group.

Finally, from the experience of the Department of Agriculture's Committee on Post-War Programs, it is felt that rural health constitutes a special national problem requiring a special program for its solution. As we have noted, several of the constituent agencies in the Department of Agriculture have already been forced to face health needs as a phase of agricultural programs for specific groups, such as low-income farmers or migratory farm workers, or in special fields such as human nutrition or general health education. What we must plan in the post-war period, however, is a program which will face squarely the health needs of the entire rural population.

Because of the special conditions of rural life—the wide dispersion of the population, the large percentage of people in low-income groups, the relatively lower educational opportunities, and the special disease problems—it is necessary that a special program be developed, adjusted to these circumstances. Any such program must and should, of course, be coordinated intimately with any national health program which may be developed by any agencies so authorized by the Congress. Only with special administrative attention, however, can we expect farm people to be assured of that parity of health services necessary to insure the production of the food and fiber which will be required in the post-war economy.

EXTENSION OF SOCIAL SECURITY PROGRAMS TO FARM PEOPLE

(Prepared by Carl C. Taylor)

The social-security program is a national program from which farm people are, by and large, excluded. They will continue to be excluded until the program is expanded to include the self-employed and all wage workers—those in agriculture as well as in other industries. It will fail to render the most needed services to farm people until it is expanded to include medical and health services. Farm people themselves do not know a great deal about the social-security program because very few of them participate in it and because many of them believe it is only a program of assistance to hired men and paupers. Few of them know what proposals have been made to expand the social-security program to include them in the present old-age and survivors' insurance and to include them in medical, hospital, and maternity benefits.

The social-security program is a national program to which all Federal taxpayers make contributions, farmers among others. Farmers also unconsciously make contributions to the social-security fund because the prices for things they buy are often increased by social-security contributions made by industries and wage workers, which, in the complexities of price equations, influence the cost of production of things which farmers buy. Notwithstanding these facts, farmers continue to furnish their own welfare programs through local units of government to which they pay taxes, instead of escaping some of these burdens by having the services furnished to the needy by social-security programs. Many farmers are not conscious of these things, in fact do not know that there are social-security benefits from which they are excluded.

The Social Security System has two broad programs: Insurance programs and public-assistance programs. Citizens make payments to and receive benefits from the insurance programs as a matter of rights because they as individuals have paid contributions into the insurance fund. They make no direct payments to the public-assistance programs and receive benefits from these programs only on the basis of proven need. Farmers with all other citizens are eligible for the public-assistance benefits, if they are needy blind, aged, or dependent children. They are not now eligible for old-age and survivors' or unemployment insurance benefits.

If a farmer or farm laborer spends as much as 10 years working in covered industries, all of which are outside of agriculture, he becomes "fully insured" in the Social Security System. This is to say he must not have been a full-time farmer during all his working life. There were in 1939 only 816,000 part-time farmers, whereas there were 3,750,000 large- and small-scale family-sized farmers.

In the face of these facts farm families have in them more than their share of the Nation's children and old people; accident rates among farmers are higher than in industry as a whole; and medical and welfare facilities in rural districts are not equal to those in urban areas.

Thus only the needy aged, the blind, dependent children, a few part-time farmers and few farm laborers can receive any of the benefits of the social-security program. Even farm laborers are excluded during the periods of employment on farms and cannot qualify except by working for a considerable time in covered industries.

In looking to the post-war period it must be recognized that hundreds of thousands of farm people have been working in defense and war industries in recent years and making contributions to the social-security fund during that employment. If and when they return to work in agriculture many of them will lose their rights to social-security benefits for which they have made partial payments. Unless the social-security program is expanded to include agriculture these people will have made their payments only to benefit others rather than themselves. Should the men and women in service be given credit for social-security payments during the periods of their service, they will constitute another group many of whom will lose their benefits if they return to full-time employment in agriculture. This will continue to be true until the program is expanded to include self-employed and wage workers on farms.

FARMING OPPORTUNITIES FOR VETERANS AND WAR WORKERS

(Prepared by H. H. Wooten)

Usually following wars and during major depressions a great deal of sentiment develops for a back-to-the-land movement. And during such periods in the past we have experienced a considerable migration to farms. It appears that after the present war there will be a great demand for farms on the part of veterans and workers in war industries. The question arises as to just what opportunities there will be for additional productive workers in agriculture after the war.

Among the points which should be taken into account in considering this problem are the following:

1. At no time in the past have we had a smaller proportion of farm to non-farm workers in this country than now; at no time have we reached higher peaks in agricultural production.

2. Agricultural production per worker for the country as a whole averaged 25 percent greater in 1940-43 than in 1935-39 and 67 percent greater than in 1910-14. Prospective technological improvements in agriculture indicate that labor will become increasingly productive in the future and possibly at an even more rapid rate.

3. There are no indications that in the near future total requirements for agricultural production will be much higher than at the peak of wartime production levels. It will probably be possible to maintain such levels of agricultural production after the war with a smaller rather than a larger agricultural labor force.

4. The farm families of the Nation have always produced more children than could find economic opportunities in agriculture. About half of the rural youth have customarily sought employment off the farm. During every year since 1920, with the exception of the depression year of 1932, the net population movement has been from farms to towns and cities.

5. During the past 4 years there has occurred the largest movement of people from American farms ever recorded in so short a period of time. Some 1,500,000 have gone into the armed forces, and there has been an additional net migration of around 4,500,000 civilians, including workers and others, such as children and housewives, into cities and other nonfarm areas. Not all of the civilian migration can be attributed to the influence of wartime industrial activity. If migration from farms had continued at the same rate as during the last 5 pre-war years, nearly 2,000,000 persons would have left the farms in the normal course of events during the 4-year period. It can, therefore, be assumed that the excess net migration from farms during the last 4 years roughly has been 4,000,000, including non-workers as well as civilian workers, and also including those who entered the armed forces.

6. Not more than half of the approximately 6,000,000 farms reported in the 1940 census were sending significant contributions of agricultural commodities to the market place in 1939. The top 2,000,000 farms marketed 84 percent of all farm products sold, the middle 2,000,000 about 13 percent, while the bottom 2,000,000 sold only 3 percent of the Nation's total marketings of agricultural commodities. While these figures will have changed somewhat by the end of the war, it is safe to say that at that time nearly half of the existing farm operators will still have very limited opportunities in agriculture to apply their labor productively and to live well.

7. Land values are relatively high, and present trends indicate that they will be still higher at the end of the war. If one pays too high a price for a farm, it is likely to be difficult if not impossible to make a satisfactory living from farming and at the same time be able to maintain the soil and buildings and make interest and principal payments on indebtedness.

8. There will probably be gradual withdrawals from the agricultural work force of women, school children, old men, and some nonfarm residents temporarily working in agriculture in numbers sufficient to require one million workers for replacement after the end of the war.

9. Included among the expected withdrawals there will be approximately 220,000 elderly farm operators who may be expected gradually to turn their farms over to younger men at the end of the war. About half of these farms, however, would be farms which had a total value of production of less than \$600 in 1939. These farms therefore would provide opportunities for considerably fewer than 220,000 new replacements if new operators were looking for opportunities to employ their labor profitably and to have satisfactory living conditions. These opportunities no doubt will be shared by the large number of farm youth as they mature and become farm operators.

10. It appears reasonable to expect that during the next few years some land in existing farms suitable for clearing, draining, or irrigating could be further developed and offered for sale, thus providing 100,000 or more additional farm operators with jobs and fair incomes.

11. Another source of farm-operator opportunities after the war will be the gradual and orderly development of part or all of the 30,000,000 to 40,000,000 acres of undeveloped land not in farms which is believed suitable and feasible to develop through drainage, clearing and irrigation. About one-third of this land or 10,000,000 to 12,000,000 acres, enough for about 125,000 farms of 80 to 100 acres, is in areas where development work is planned, authorized, or under construction. The number of new farms which should be developed through these methods will depend upon the demand for agricultural products and upon the number of submarginal farms which are retired from cultivation. It will also depend upon the changing technologies in agriculture which influence the acreage required for a given amount of production, and upon the amount of conservation care given to land in existing farms.

12. It is expected that agricultural land now used for military purposes will be declared surplus at the end of the war. If this is made available in family-type units, it will provide farms for from 8,000 to 10,000 former owners, veterans, and others who are seeking farms.

13. In addition to opportunities for new farm operators, it has been estimated that there will be job openings for approximately three-fourths of a million workers, including persons who will work on the home farm as unpaid family workers, partly to work in present farm-labor shortage areas and partly to enable farmers to reduce their overtime hours contributed to wartime production.

In view of the above information, the following recommendations are suggested:

1. That in order to facilitate the transfer of approximately 220,000 farms from retiring to new operators under such conditions and terms as will assure economic units to the purchasers, and enable them to have an adequate living and pay for the farms, the Government should supplement private initiative by making adequate credit and supervision available.

2. That surplus military land suitable to farming be sold in family type units to former owners, veterans, and others, thus providing farming opportunities to approximately 8,000 to 10,000 new operators.

3. That the Government furnish guidance and assistance in placing veterans and war workers in available jobs on farms, and also in placing underemployed farm persons in farm and nonfarm jobs.

4. That geared properly to the requirements for agricultural production new family-type farms be developed through drainage, clearing, and irrigation of suitable new land and land already in farms, thus making opportunities for up to

approximately a quarter-million new operators. The rate of development of new farms would depend upon the rate of retirement of submarginal land, much of which should be converted to uses such as forestry and grazing, as well as upon the domestic and foreign outlets for agricultural products. Individuals who desire to farm new land should investigate the suitability of a proposed site for farming before committing themselves to purchase.

5. Prospective farmers should be warned against paying inflated prices for farms and should be guided away from lands, both in established farming areas and in undeveloped areas, which are not suited to agricultural use. The establishment of a public farm appraisal service should be helpful in this regard.

6. That there be no public sponsorship of migration to farms beyond the limits of manpower requirements to produce needed food, fiber, and forest products which can be consumed at home and abroad. Our goal must be full production and full employment in agriculture and in the total economy. There is no place for the defeatist policy of using agriculture, or any other segment of the economy, as a dumping ground for unemployed persons.

DIFFERENT TYPES OF FARMERS REQUIRE DIFFERENT TYPES OF PROGRAMS

(Prepared by F. F. Elliott)

It requires only a cursory examination of the information relating to farms and farmers in the United States to be convinced of their wide diversity in interests, problems, and needs. The last Census of Agriculture, for example, indicated there were approximately 6,100,000 farms in the United States in 1940. But this does not mean that there were this many family commercial farms, the kind of farms which most of us think of as real farms. There were, in fact, thousands of farm families who sent very little to market, and many of them consumed at home most of what they produced. There were also thousands of farmers who had retired to small acreages; many suburban estates and part-time farms; as well as hundreds of thousands of Negro and white croppers, who, in most respects, were only wage laborers paid in kind.

With so much diversity in the type of units now designated as farms, obviously, such items as average income per farm and per farmer have very little, if any, significance. Yet people continue to write and talk about "the farm problem" and ways and means of meeting it as though these six million-odd units were alike in their conditions, outlook, and the problems confronting them.

We can begin to get some notion of the diversity in economic interests and social conditions prevailing on these different farms if we first divide them into two main categories—those which are commercial in character and those which are noncommercial. The first of these groups, of course, will include those farms which are bona fide business units—the centers of our commercial agriculture. The noncommercial group of farms, on the other hand, is in the business of farming in a different way since they have but little to sell. Their cash incomes are low and they consume most of what they produce.

But these two broad groups of farms are by no means uniform. Within each of them there are a number of quite distinct classes:

Among the commercial farm group in 1940 there were, for example, some 55,000 to 60,000 large-scale farms that had a value of products in terms of 1939 prices of \$10,000 or more and that employed 750 days or more of hired labor; there were some 20,000 to 25,000 plantations in the South which had at least 5 croppers, standing, share, or cash tenants, or at least 1 cropper or tenant and sufficient wage hands to make a total equivalent to 5 croppers or tenants, working under the direct supervision of the plantation owner or manager; and there were from 3,000,000 to 3,250,000 family commercial farms that had a value of products in terms of 1939 prices ranging from \$600 to \$10,000. These 3 classes of commercial farms thus comprised in round numbers from 3,100,000 to 3,300,000 independent proprietorship units. They included, in addition, some 575,000 to 650,000 cropper and tenant units that worked under the direct supervision of the plantation owners or other commercial farmers and are not here considered as independent units. Although representing only about 60 percent of the total number of farms of the country, these 3 classes of commercial farms accounted in 1939 for approximately 90 percent of the total value of products.

Among the noncommercial farm group, all the farms which had a value of products in terms of 1939 prices of less than \$600, were found some 600,000 to 650,000 part-time farms whose operators worked 100 days or more off the farm;

there were 550,000 to 600,000 residential farms with operators 65 years or over and working less than 100 days off the farm; and there were 950,000 to 1,225,000 subsistence farms with operators less than 65 years of age and also working less than 100 days off the farm. Thus all told there were something like 2,100,000 to 2,500,000 independent noncommercial farms in 1940. Although these farms represented approximately 40 percent of the total number of farms in the United States in that year, they produced only 10 percent of the total value of products.

In developing post-war agricultural programs, it is of supreme importance to recognize this wide diversity in problems and needs of the different kinds of farmers in the United States. If we are to be even reasonably successful in our efforts to meet these problems we must not develop just one over-all program and assume it will meet all situations. We rather shall need to examine the needs of the different groups and develop, if necessary, separate programs for each of them. Obviously, as we move from war conditions to those of the post-war, the interests and needs of these various classes of farms will differ markedly.

To the operators of the three classes of farms making up the commercial group, commodity loans, price support programs, adjustments in production and marketing, and similar measures will be of great interest and importance. These classes of farms also will be greatly interested in measures affecting national income and business activity since these things will determine the demand for agricultural products and the prices and income received. They also will be interested in legislation on fiscal and commercial policy and in labor legislation having a bearing upon the hours and conditions of employment, minimum wages, etc. Large-scale farms particularly will be directly interested and affected by legislation of the latter type since both they and their laborers are continuously confronted with special problems in recruitment, wage determination, housing and other related matters not common to the family commercial farms.

The type of programs of interest and concern to the noncommercial group, on the other hand, are likely to be quite different. Since these farms have but little to sell they will not be greatly affected by changes in prices of agricultural products. Commodity loans, price supports, and related measures, consequently, will be of little concern to them. They will be more particularly interested in programs of social security, in old-age and survivors insurance, in health, hospitalization, and medical care and in programs looking toward the improvement of rural education, recreation, etc.

But the problems and needs of the three classes of farmers in the noncommercial group will not be the same. The interests of the part-time farmers, for example, are different and broader than those of the other small farmers in the noncommercial group. In general, they probably have a higher economic status and enjoy a better standard of living. This is a group that likely will grow in importance after peace is restored. They are interested only incidentally in changes in agricultural prices since they depend upon nonfarm employment for most of their cash income. They are vitally interested in programs affecting national income, employment, and business activity, and, of course, in unemployment benefits, in old-age and survivors insurance and in rural education, health, and medical care and the like.

The residential farmers likewise are little concerned with fluctuating prices and income, since many of them do not have any large interest in farming as an economic enterprise. They simply are people past the prime of life who are at or beyond retirement age. They are found scattered throughout the United States but tend to concentrate around urban centers. Their interests are not as broad as those of the part-time farmers. They are interested primarily in programs relating to health and recreation and in old-age and survivors' insurance and related matters.

The subsistence farmers are in still a different category. Substantially all of their working time is spent at farming. They have not reached retirement age. Their scale of living is probably lower than that of any other group of farm operators. They are located primarily in poor land areas, where the area in cultivation is too small, or where the productivity of the land is too low to yield a decent living. This is a class of farmers which we should not perpetuate in their present situation. If they remain in agriculture they should be assisted in better farming methods, in improving their physical resource base, in getting onto larger units, or in becoming part-time farmers. In the event these steps are not feasible, they should be encouraged to get out of agriculture altogether. Obviously, any measures that will maintain full employment, high business activity, and national income will be of great assistance in this direction.

Still another agricultural group, not yet mentioned but which certainly has a legitimate claim for assistance, is the farm-labor group. This group as a whole undoubtedly has been lower in the scale of living than even the subsistence farmers. Their primary interest, of course, is to improve their level of wages and income and to improve the conditions under which they live. They are interested in anything that will maintain full employment, high level of business activity, and national income, since this means job opportunities for them. They also are interested in minimum-wage and housing legislation if they give promise of direct assistance to them and, of course, in social security, unemployment benefits, old-age and survivors' insurance and related programs.

It should be clear from what has been said that the problems and needs of these different groups in agriculture are by no means uniform. It also should be clear that if we are to meet these problems and needs realistically we shall be obliged to develop not one but several agricultural programs. The sooner we appreciate this fact and move in this direction, the sooner our efforts will be crowned with success.

POST-WAR ECONOMIC POLICY AND PLANNING

FRIDAY, AUGUST 25, 1944

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AGRICULTURE AND MINING
OF THE SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met pursuant to call, at 10 a. m. in room 1304, New House Office Building, Hon. Orville Zimmerman presiding.

Present: Representatives Zimmerman (presiding), Voorhis, Cooper, Walter, Murdock, Lynch, O'Brien, Reece, Wolverton, Hope, and Dewey.

Also present: Marion B. Folsom, director of staff, and G. C. Gamble, economic adviser.

Mr. ZIMMERMAN. The subcommittee will come to order.

We have with us today War Food Administrator, Judge Marvin Jones, who has consented to come before us and give us his views concerning some of the things our Nation should do in this post-war planning program on behalf of agriculture. I want to say, on behalf of members of the Agriculture Committee, that we appreciate the presence of Judge Jones for the reason that for many years he was chairman of the House Agriculture Committee. During that long period of service, he rendered this Nation an outstanding service in behalf of agriculture.

I don't think any man in recent times has rendered the constructive, efficient service on the part of agriculture that Judge Jones rendered while he was chairman of that committee. Naturally we expected him to be appointed to this very important position of War Food Administrator. With the background he possesses, we are honored today in having him come before this committee to give us his views of what can be done after the war.

We are glad to hear you.

Mr. JONES. Thank you, Mr. Chairman. I want to assure you that I appreciate your generous comment. I believe I have had the privilege of serving with nearly every one of the subcommittee present. I regard the work which the committee is doing as being very important and am glad to have the opportunity of appearing before you.

For the record, I have done the usual thing of preparing a written statement and would like to have the privilege of reading it. I think that it pretty well covers what I have in mind.

Mr. ZIMMERMAN. Would you prefer not to have interruptions until you conclude your statement?

Mr. JONES. I don't know that it makes any difference. It is only about 10 pages; then I will be glad to answer any questions I can.

Mr. ZIMMERMAN. Very well.

STATEMENT OF HON. MARVIN JONES, WAR FOOD ADMINISTRATOR

Mr. JONES. It is impossible to separate the problem of production, storage, and disposition of food from the problem of the land on which it is produced and the prices and income which farmers receive, or from the machinery, tools, and labor with which it is produced, or from the processing, storing, and handling as well as transportation. The basic problems of soil, price, and income will remain in peace as well as in wartime.

The War Food Administration, while an independent agency reporting directly to the President, utilizes and has control of the action agencies of the Department of Agriculture as well as its own personal staff. In this way it is far less expensive than if it operated altogether with a complete new personnel of its own. In addition, it has the advantage of the experience of those who have heretofore been engaged in the same line of work.

We are therefore directly interested not only in guiding production and supporting prices, but also in the disposal of food as such, and in disposition and handling of the land now owned by the Government, in rebuilding and maintaining the soil, in the use of water, in the disposition of equipment, machinery, and supplies owned by the Government that may be useful in connection with farming or with the soil, and with other questions that are intimately linked with the future of the farm and ranch.

The American farmers and ranchmen have done a magnificent production job since the beginning of the war. In spite of wartime handicaps they have produced more food than any nation in history ever produced in the same time. They have not only made it possible for us to have the best-fed Army and Navy in the world, but have supplied all essential civilian needs and, at the same time, have made it possible for us to ship vast quantities of food to our fighting allies. The War Food Administration for the last year has purchased an average of more than \$8,000,000 worth of food per day for shipment abroad for these purposes. Every pound of this food has brought results. It has made it possible for our fighting allies to continue their all-out war effort. The Allied Nations owe the American farmer a debt of gratitude. They have so expressed themselves.

This production is what we want. There is no place in America for a philosophy of scarcity. Ours is the heritage of abundance. It is our goal today and will continue to be our goal when the war is over. Out of the great resources with which nature has endowed our land, we have built a great nation. Abundance is the soundest of national policies. It is plain common sense to produce all that we can consume and export without injury to our soil and natural resources and at a reasonable profit to the producers.

This production can be continued only if we have all-out industrial production as well. There cannot be curtailment of industrial production and, at the same time, abundant agricultural production. The two furnish a market for each other and assure employment to labor. This abundant agricultural production was made possible by the support prices which Congress wisely provided. You are aware, of course, that to carry out this support program in accordance with

the commitment, necessary funds and authority will have to be supplied by the Congress.

This problem involves disposition of Government-owned stocks of agricultural products which must be held in reserve for war needs. We will have surplus stocks of food just as we will have surplus airplanes, guns, and tanks. The only way to have assurance against a shortage of these essential needs of our armed forces is to have some reserve supplies. Some of these supplies will, of course, be needed for temporary relief abroad, but we will also need authority to dispose of surplus agricultural commodities and the products abroad at competitive world prices.

One of the most interesting movies I have seen recently portrayed the part that industry will play in the Nation's post-war rebuilding and development and in furnishing jobs after the war has ended.

The picture was well done and in every way worthy of praise. However, it left out one great wing of development; that is, the rural areas, the Nation's farms, ranches, and natural resources.

I hope some enterprising producer will make another movie depicting the possibilities of rebuilding, the opportunities for development, and the furnishing of employment in the rural sections of this country.

Agriculture and industry are the twin evangels of modern civilization. Neither can prosper without the other. If one languishes, sooner or later the other will feel the effect. The farmer and livestock producer furnish the raw material and, in turn, if prosperous, help furnish a wider market for the finished article. At the same time, if the factory wheels are turning, they afford a market for the products of agriculture. Labor is vitally affected by any adverse influences that touch either wing of our national effort.

I was thrilled at the screen picture that I saw of the vast new efforts of industry: the busy spindles, the blazing furnaces, the new products made possible by man's inventive genius, the great wealth of useful things that industry can produce for the happiness of mankind.

But, after all, the vital spark is lit back in the far stretches of this broad, big country.

We grow accustomed to the precious things of life, and they seem commonplace. We take them for granted—the air we breathe, the water we drink, and, in this very fortunate and productive country, the food we eat. We sometimes lose sight of the hard work that is involved in the production of that food, as well as the fiber which goes into the clothing and shelter of our people.

The opportunities we shall have after the war for developing our vast resources of land and water could be fashioned into a story more thrilling and romantic than any that has yet been shown on the screen—one by which the imagination of the people can be stirred along practical lines and one that can set our entire country athrill. If I were a movie producer I would tell a screen story that would make the following points:

1. The first point would be soil conservation. The capital stock of the Nation is its soil resources. No business can stand a continual drain on its capital; likewise, no nation can endure for long, excessive drains on its capital resources.

What are soil resources? They are food and clothing locked up in nature's warehouses against the time when man, through his efforts, takes them out and uses them. Our great soil resources in this

country have enabled us to develop a great race of people. History shows that the character and strength of a nation always go up and down with its soil.

H. H. Bennett, Chief of the Soil Conservation Service, who has spent more than an average lifetime in a study of the soils, is authority for the statement that we have ruined more land in less time than any other nation in history and that more than 50,000,000 acres of land in the United States, once cultivated and fertile, no longer produce crops. That was nearly as much as our entire wheat acreage last year. And the best topsoil has been washed away from an additional acreage more than twice as large as that. Fortunately, we are learning of this growing danger before it is too late. The soil-conservation and soil-building practices of the last few years have increased the average yields of our major crops by more than 20 percent.

There are now more than 1,100 soil-conservation districts organized under the laws of various States receiving Federal assistance. Track-type tractors, bulldozers, ditching, and other machinery and equipment would greatly increase the effectiveness of personnel already available and serving farms in the conservation of soil resources. Such surplus war equipment as is suitable for the purpose should be made available for these programs to expand the work of constructing terraces, drainage and irrigation ditches, stock-watering ponds, and other conservation developments.

Once made available, farmers themselves would pay for the operation and maintenance of the equipment. I am sure my experience is the same as many of those who have lived in rural sections, or who represent districts a part of which are of that type. Many, many times I have had farmers say: "Where can I get the technical assistance to terrace my own farm—where can I get the machinery to do it?" That is one of the difficulties. Because of the shortage of equipment, farmers have been unable to go ahead with the work planned. Additional equipment will result in greater efficiency and more work.

I have mentioned soil conservation first; but starting with the soil, other developments naturally flow from and become part and parcel of the undertaking. These include the proper use of water, the construction of large and small dams, rural electrification, decentralized industrial development, highways and other forms of transportation, and individual home ownership. They are all closely linked.

2. I mentioned water use. Rainfall should be used on the plains and hillsides where it falls, through soil treatment, contour plowing, cover cropping, and strip planting, instead of letting it run off in waste to the sea, taking the soil with it. The building of ponds, check dams, and other small dams on the tributaries and small streams and in pastures and fields are all closely related to the conservation and rebuilding of the soil and furnish a vast field for adding to the wealth of our country and to the full employment of our people.

What is known as the Mississippi Valley—and I mean by that the whole area between the Alleghenies and the Rockies—is the greatest food-producing area on earth. It all forms one great integrated river system. Properly used, it can for centuries to come not only supply our own people but can help supply others with its products and bring back in trade additional goods for us to use and enjoy.

In dealing with nature's resources in any land and in any country, there is always a conserving use and a wasteful use. The choice lies with the people who control those resources. In the past we have exploited our good earth with a prodigal disregard of its value to our enduring life as a nation. We have sent the export crops down to the sea in ships and the soil down to the sea in mud. When the Mississippi overflowed toward its mouth, we built levees. We tried to reverse nature; and when nature fought back, as she always does under those conditions, we built even higher levees. Instead of using the water all along the line, we tried to get it into the sea as fast as we could.

We are learning at last that the path of wisdom is to go back where the water falls as rain and work with nature instead of against her to utilize water at the source, thus treating it as a blessing instead of a curse. The development of a system of use that will retain that water and soil is worth any national effort, however great. Far out in our great dry land areas not a single gallon of unused water should be permitted to reach the sea. All should be used on the land.

In other areas where it is abundant, it can be channeled and utilized for power, for additional wealth.

What has been said about the Mississippi Valley is true of our numerous other valleys and river systems throughout our great land.

After the war our people will turn eagerly from destruction in war to the constructive activities of peace. Our engineering and technical genius will gladly turn from its prodigious feats in jungle and desert areas to the worth-while and useful challenge that awaits them here at home.

The Congress, with farsighted vision, has established a Soil Conservation Service and made provisions for carrying out an extended program of preserving our greatest natural source of wealth. It has also made provision for a wiser use of water. Millions of acres of land are being protected and rebuilt under programs that have been vast. These efforts and provisions will need to be greatly enlarged.

3. This leads to the construction of large dams for irrigation, flood control, and hydroelectric power. The value of these great projects does not need to be argued. A visit to any one of them is visual and confirming evidence of their great worth. Nearly every great country on earth has natural wealth that only needs the touch of the genius and industry of man to be harnessed for human use.

4. Closely related to this is rural electrification. One of the great advantages of the construction of large dams is the possibility of using them for the production of electric power, not only for the cities but flowing out to the countryside to the millions of farm homes that need it to lift the drudgery and burdens that are connected with the production of food. Produced and distributed in volume, electricity is one of the cheapest of commodities. It is one of the most useful. It affords an opportunity not only for making life easier and less burdensome, but also for bringing about a better-balanced condition for making our entire country a productive commonwealth. Some of our surplus war materials could well be used for expanding the rural electrification program.

5. I mentioned decentralized industrial developments. If we develop a vast network of soil treatment, check-damming, and hydroelectric-power dams on the various streams flowing through every

nook and corner of the United States, it will naturally make possible—in fact, will make inevitable—a decentralized development of industry in all parts of the country. This will bring our raw materials close to the heart of the business community, and the interests of agriculture and industry can thus be dovetailed together.

Bringing the products of the farm as well as articles of industry closer to the markets of each will bring about a better understanding between agriculture and industry, which are natural partners, and will help solve many of the problems of both capital and labor.

6. Highways are another part of this chain of development. There should be a greatly expanded and suitable network of highways in order to facilitate the exchange of the products of factory and farm. This should not stop with highways. We will need all forms of transportation: Railway, air-line, and newer forms that may be developed when the war is over. I have no doubt that through the use of airplane transportation, and with the advantages of improved forms of refrigeration, fresh vegetables can be carried in a few hours from the point of production to any market in this country—probably be there the next morning after being gathered the day before. That way it can be gathered ripe and be ready for the breakfast table and in much better form. The same is true of many other perishable commodities. If in this way an expanded production for expanded use can be developed, not only will both agriculture and industry gain advantages therefrom but every form of transportation in its fullest development will be needed, and any man who is willing to work will be able to find a place in it. This possibility is a challenge to the best minds and the best thought that this Nation can produce.

All discrimination in freight rates as between different sections or areas of the country should be eliminated as to all forms of transportation.

7. Home ownership fits squarely into this picture. The financing of home purchase of family-sized farms, with special provision for returning soldiers who may desire to purchase and live on a farm, can contribute much to the stability of our country. The same is true of the financing of home purchasing in the towns and cities. Our laws, both State and National, should be so fashioned as to encourage the ownership and maintenance of family-sized farms in the country and comfortable homes in the towns and cities. It will be difficult for any ism or wild scheme or movement to gain any appreciable foothold among a home-owning people.

A great variety of agricultural land, ranging all the way from submarginal to some of our very best farm land, was acquired for various war purposes. We believe that this land should be disposed of in accordance with agricultural policies which have been established by Congress over a period of years. The agricultural land which is declared surplus should be surveyed to determine its proper use on a long-time basis. Following this, the submarginal land should be assigned to the proper State or Federal Government agency, depending upon location and the use to which it might be put. For example, some of the land might be included in soil conservation, erosion control, and forestry programs of the Department of Agriculture or appropriate programs of other Government agencies. Such disposition of submarginal land not only would be wise from the standpoint of good land use but would be economical in the long run. In our judgment,

it would be unfair to sell submarginal land to individuals for farming purposes.

The land which is determined to be suitable for farming should be divided into family-sized units and sold to persons who intend to live on the unit and operate it for a livelihood.

Lands that are suitable only for range purposes should of course be sold in larger tracts consistent with that use.

The former owners should be given a reasonable period of about 90 days in which to repurchase the land formerly owned by them at a price not exceeding the price which the Government paid for the land, after taking into consideration any damage to the property, and also the usable advantage, if any, of any improvements that may have been placed thereon by the Government. Subject only to the former owner's right to purchase, war veterans, who have had experience in farming and who desire to do so, should first be given an opportunity to secure a farming unit. In our opinion, it would be inconsistent with sound public policy to permit this land to fall into the hands of those who do not need it for homes when so many former owners and servicemen will find it impossible to get a farm at reasonable prices and terms.

It is our earnest hope that Congress will make sure that the good farm land to be released by the Government is used for encouraging the family-sized, family-operated farm ideal of America, which has been the foundation rock not only of our agriculture but our entire Nation.

But whatever is done, whatever plans we may make, or whatever genius we may possess, our Nation must perish unless we take care of the soil. The soil is our natural heritage. Wisely used, its value, its life-giving strength, its productivity are ageless.

The children of the future have a stake in this, our greatest natural resource. We have a right to use the soil and other natural resources. We have no right to abuse them. They can be made to grow stronger and more productive and be left to coming generations in richer and better form than when they came to us.

We want to keep this Nation a land of abundance and opportunity.

Mr. ZIMMERMAN. Thank you, Judge Jones.

Mr. COOPER. In my years of service here I have never seen a more constructive and helpful statement. I want to congratulate you.

Mr. JONES. I appreciate that. Praise from Cicero, himself, is praise indeed.

Mr. ZIMMERMAN. In expressing that sentiment, Mr. Cooper expresses the sentiment of our entire subcommittee and our other members who have honored us with their presence today.

There are just a few questions I would like to ask. I don't know that what you have said needs any clarification. You spoke, though, of the importance of soil conservation and conservation of our water resources. And you further made reference to the fact that we produced last year more food than ever before in the history of the country. You attributed that large production, I believe, to the progress made in the conservation of our soil, and to fertilization.

Mr. JONES. Yes; that contributed to it.

Mr. ZIMMERMAN. From your experience, would you say, under the present program of soil conservation, that we are holding our own and preventing its depletion, as it occurred in the past?

Mr. JONES. I think we have been more than holding our own in the past few years. Of course we have been compelled during the war days to draw on our reserve bank supply, if it may be termed that, by having an all-out production program.

Because of the great need for certain commodities, we have found it necessary to call on the land for a little more, probably, than we would normally want to call on it for. But we have tried to avoid just as far as it was possible to do so, the mistake made in the other war of plowing up and planting land, regardless of the waste of natural resources. We have carried on with conservation practices and urged that they be continued just as far as they could be consistent with getting the production. I think for the last several years we have been improving in our protection of the soil and on the whole are making decided progress.

Mr. ZIMMERMAN. Then your view is that, as the preservation of the capital stock of a business concern is of primary importance to that concern, you place soil conservation—wherein soil is regarded as the capital stock of this Nation's resources—as the prime concern of this Government, not only now, but for the years to come?

Mr. JONES. There is not the least question of that. You can look at any nation where the soil has been neglected—not only does the position of the nation go down, but the character of the people go down. I checked that at the food conference. Dr. Inglesby, I think it was, has been in charge of the soil program of the British Empire for 30 years. He mentioned the fact that, when the soil goes down, the strength, character, health, and ability of the people go down.

I know I saw the old markings of the Tigris and Euphrates Rivers, where centuries ago there were a marvelous people. They neglected their soil and water in some of those areas and they almost dropped out of sight. There isn't a great race of people within the circle of the earth in any area that has let its soil wash away. That is the foundation of the strength and future of the country. Every man, woman, and child in America is interested in that. We are simply trustees of the soil for a limited period and have responsibility for it.

Mr. VOORHIS. Judge, did I understand—

Mr. ZIMMERMAN. Pardon me just a moment. Mr. Dewey has to leave and wants to ask a question now.

Mr. DEWEY. I have another meeting at 11 and wish to take advantage of this opportunity. I am bothered considerably regarding the prices of foods that we may contemplate having during the aftermath of the war. There was a very considerable pressure made in regard to what was called, I think, a roll-back subsidy, sometime ago, under which the Government would subsidize the roll-back, the cut-back of price on certain commodities. There were about six in the first list. There were numerous statements made that if this was not done, there would be a very great rise in prices of food during the coming year. Now I would like, if you please, to get from you some thoughts as to what you think the value of food, taking everything as we see it today, will be during the year 1945. Do you contemplate an active rise in food prices, or do you contemplate that we may have difficulty in keeping the present value of food prices up?

Mr. JONES. A man who would definitely undertake to forecast 1945, with all the uncertainties that are in the world today, would be acting rather foolishly.

Mr. DEWEY. We are asked to legislate on that to the extent of \$800,000,000 of the people's money, because we were told the prices were going to rise and double and that, if we didn't make this roll-back subsidy, it would be a terrible burden.

Mr. JONES. Understand I didn't determine the policy on the roll-back subsidy. If we got into the discussion of the merits of that, weeks and weeks might be spent. I think the primary roll-backs were on certain types of meat and on butter, as I remember. Those were the two.

Mr. DEWEY. Yes. Butter, milk.

Mr. JONES. That was handled by another agency. I would dislike to get into a discussion. Of course, I don't want to discuss the policies that are handled through another agency. I will say this much with reference to prices that, if the war in Europe should end, I think that we will have more problems in connection with our support price commitments to farmers than we will have on the other end of the line. That is assuming that that condition would be brought about. But any statement any man makes at this time, as you can well recognize, is hedged about with many uncertainties. I do feel, however, that our all-out production of food has been a magnificent thing. A Russian general sat before my staff and told me that, if it had not been for the food which this country furnished, they couldn't have gone forward. So, of course, to get that food and to get it in abundance, it was necessary to have some provision for expanding and increasing returns to the producers of food. That provision was made. And, of course, I think having made it, it is like a promissory note; it must be kept.

I anticipate we will have some serious problems and that some expenditure of funds will be necessary in carrying out that commitment. I think that will be more of a problem, probably, than the other, after a period. Of course I don't know how much food is going to be required in a temporary period following the releasing or liberating of countries, nor how much the Army could supply, if the Army should be reduced in number. I don't know how much reserve stock they may have in the countries in question. People are rather resourceful in those countries. They found in Italy that a great many had buried wheat in the ground and planted grass over it, even though they would suffer the penalty of death if caught. We don't know about those things. I do anticipate some serious problems, however, on carrying out the support prices. For that reason I was and am anxious for us to have full use, both at home and abroad, full use of those products for that period and make provision so we could have it.

Mr. DEWEY. I agree with you that once the tremendous production of food in this country stops, when the war is terminated—taking into account even the requirements of supplying food to devastated nations—it would be more of a problem of supporting present pricing than it would in holding down rising prices. I have seen no reason to change that point of view. Therefore, I was opposed to this roll-back subsidy price.

Mr. JONES. Of course, by the action of the Congress that is limited to a definite period. I think sometime next year. The merits or demerits of the continuance of that will be determined sometime in the next few months.

Mr. DEWEY. Thank you very much indeed.

Mr. ZIMMERMAN. Yes. There are just a few questions I would like to ask. Continuing my questions in regard to soil conservation, you regard the program of soil conservation for the future as probably agriculture's problem No. 1?

Mr. JONES. Yes, I think you almost start with that. I use that in the broad sense: That is the question of the proper cropping, the proper use of water, the replacing of some of the soil that was wasted. People who have studied the question tell me that even though a certain commodity may look exactly like another commodity, if grown on soil lacking the proper ingredients, it doesn't have anything like the value for human food nor feed.

For instance with livestock—if you cut hay from land where there is a shortage of lime and stack it and then throw up the other end of the stack from hay where the soil is properly balanced, the livestock will eat off the end of the hay stack where the hay was produced on balanced soil and let the other end go and go hunt some other feed. They will eat out the middle of the stack, if you put it in the middle. That has been tried. That has been tested. Human beings have to have food sustenance on the same basis.

Mr. ZIMMERMAN. Soil utilization, the way we are handling our soil, goes right along with the program of the soil conservation?

Mr. JONES. Yes.

Mr. ZIMMERMAN. Now as a corollary to that, you put water conservation and utilization—you put that secondary?

Mr. JONES. Yes, almost part of it. It is an integral part of it. Soil without water—I lived in a country where we had to go without water for a considerable time. We found it was pretty tough.

Mr. ZIMMERMAN. I have been of the opinion for a long time that one of the great mistakes made in all of our flood-control programs in the past has been that we started the thing in reverse; that we should go back to the soil and impound and hold on the soil and use every drop of water. This idea has been very clearly expressed in your paper this morning. That is one of the big problems of agriculture.

Mr. JONES. Yes. I think that there is a vast opportunity. If we want to have development or need to have provision for work, if we start back there—just like our Government started—we build on a much sounder basis. If people will run a government by trying to do everything from the center, they get in trouble. In a democratic government, the thing starts from the grass roots. That is the way the whole thing is built. That way you have a sounder industry, when built on a solid basis. You get your raw materials for your industry. You can't separate the two. If you keep the two in balance, both going forward, then everybody can have a chance and the country will be in much better condition.

Mr. MURDOCK. I hope the judge can underscore that and maybe elaborate on it in addition to his splendid statement already made.

Mr. ZIMMERMAN. Just one or two other questions. I was very much interested. You started out on the premise, of course, that we must have full production of agriculture. And we must have full production of industry.

Mr. JONES. Yes. Otherwise, you can't have full production of agriculture. Because you wouldn't have a market. We've tried full production for agriculture with industry down to 30 or 40 percent. It wouldn't work.

Mr. ZIMMERMAN. Along with it we have got to have full employment of labor.

Mr. JONES. Yes, so there can be full use of the commodities that are produced, both the finished and the raw.

Mr. ZIMMERMAN. You mentioned the importance of bringing industry and agriculture together and bringing the raw materials close to the factory so they could employ local people in rural sections. I think that is a very interesting suggestion. Heretofore industry has been more or less centralized, has it not?

Mr. JONES. Yes.

Mr. ZIMMERMAN. Is it your view in our future program for agriculture that industry must be carried back, to some extent at least, to the rural communities in order to have that close relationship between agriculture, the producer of raw material, and the factory? In that way we may be able to utilize the labor that may be available in that rural section that has had to go a long way to get a job, like Detroit?

Mr. JONES. I don't think it necessitates the taking up of industry and carrying it out there. I think the development out there will make the industry already located in centralized places even stronger. There are certain things that of necessity must be pretty well done in one place. But there are some things that can be done in many localities, if we get the proper balance and the proper going forward, and everybody will be better off. It is pretty well illustrated by the opposition which certain companies had to rural electrification and to similar programs. They thought it was going to ruin them, when, as a matter of fact, the added physical value and added wealth that came from that development made theirs even more worth while. They have been better off than if the other development had not come. No man can grow rich who lives in a community of poverty-stricken people. You have to have general prosperity if you are going to have a chance to go forward.

Mr. ZIMMERMAN. I want to illustrate that problem of expanding or developing industry in my own section.

Mr. JONES. That is a really tremendous and important thing.

Mr. ZIMMERMAN. In the 10 counties of my congressional jurisdiction, enough cotton is grown to rank Missouri as the ninth producing State. The cotton growers tell us they pay a premium for our cotton because of its grade. Yet we don't have a cotton mill in that section. In other words, when they want our cotton they come down and pay a premium to carry it over to North Carolina and other States, where they operate these machines in the making of fabric. Now, of course, we haven't any spindles there because we haven't any electric power. So there are a lot of things I think should be taken into consideration in bringing about that close relationship between agriculture and industry I have just mentioned. I think it is a very important program to be considered for the future. Does somebody else have any questions? Mr. Voorhis?

Mr. VOORHIS. I will wait a moment. I would rather wait.

Mr. ZIMMERMAN. Mr. Hope?

Mr. HOPE. You have outlined what I think we all agree here is a very fine, constructive, long-term program for agriculture. We are all in agreement with the objectives. I think every one agrees who

has given any thought to that consideration that our soil is our greatest agricultural problem. But I would like to ask you if you think that we can carry out the kind of program that you have outlined for soil conservation, rural electrification, better rural highways, better forms of rural transportation, unless we have a prosperous agriculture, fair prices for agricultural products, as well as full production.

Mr. JONES. I don't think there is any question of the necessity of having fair prices in rural communities. I have discussed it with you before. We are in full accord on that.

Mr. HOPE. Yes. In other words, it isn't possible for the individual farmer, even with all the help the Federal Government might give him under soil-conservation programs, to properly conserve his own soil if farm prices are so low that it taxes every bit of his energy to make an inadequate living. He isn't able to secure a price for his products which will give him the income or the capital to carry out a program of that kind. It is hardly possible for the Federal Government, even with all the help it might render, to carry out any adequate soil-conservation program. Isn't that true?

Mr. JONES. That is true.

Mr. HOPE. I should like to discuss a different subject—the disposal of our food supplies which we are going to have left over at the end of the war. I don't know how fully you would care to go into the question of the probable extent of those supplies. That may be something that is, more or less, a military secret. I would like to ask you a question as to just what, in general, would be the situation with reference to supplies of food which we might have to dispose of, if the war should end within the next 2 or 3 months in the European theater.

Mr. JONES. Yes. That is a question that Colonel Olmstead could answer probably better than I could. There are limitations on what we can say on that, because of the reasons indicated. However, I do anticipate that there will be considerable supplies of food that would be available probably for distribution when the war in Europe ends. Of course, there will be needs. No one can quite measure them. But in maintaining an armed force of 11,000,000 men, and in helping to furnish the Allies—like Russia, where a great part of her productive land was taken away, and England, that never does produce enough even normally to supply her people—there has of necessity been some stock-piling. There are of necessity reserve supplies. No one would want a soldier to be short of food in a war like this one. We are not dealing with the kind of an adversary where we can take that chance any more than we can take the chance on him not having enough machine guns. Of course, that is going to bring tough problems. I think we are going to have to arrange for as full use of food as we can here. I don't know just when that is coming. We will have to arrange for disposition on the best terms we can get for some of the food that may be available when the armed forces are disbanded and when the other nations begin to produce their own food. The worthwhile ones are going to want to do that, too, just as quickly as they can. We will have problems of what to do with the hundred thousand airplanes all bristling with guns and protective armor; the hundreds of thousands of tremendous trucks that are too big for most other uses; and the millions of machine guns and shells. These will have to be met when they are unfolded, and we fully know conditions. It

isn't going to be easy, and it isn't going to be done without some sacrifice. Naturally, there is going to be some loss. If anybody gets the notion he can face a picture where billions of dollars have been spent in carrying on a war that has been so tremendous and not have some headaches, he is wrong.

Mr. HOPE. What are the situations of the war-torn countries with their need and ability to absorb the stock piles?

Mr. JONES. My information is meager on that. I would like for you to ask Colonel Olmsted that question. I think this is true. In Italy, so far, it hasn't taken as much food as was anticipated. In north Africa they commenced to produce food more quickly than some thought they would. There is a great difference of opinion as to what the needs are going to be. I understand that in the parts of France of which we have gained possession, the reports indicate that it is not in as bad a shape as some had believed.

Now, in Greece, I understand, it is very bad; also, perhaps, in some of the other Balkan countries. They are comparatively small. We are going to have a problem in connection with this food. We may just as well understand it, I think. Of course, for the intermediate period there is going to be quite a demand for food in certain quarters. There is going to be a tremendous supply, too.

Mr. HOPE. As I understand you, the present outlook as to the amount of food we might dispose of for relief purposes in Europe is less than we have been anticipating. Is that correct?

Mr. JONES. That is a difficult question to answer because it hinges on two things: First, our meager information; and second, the difference of opinion. I suspect that the representatives of the U. N. R. R. A. or F. E. A. who handle that problem could give you more definite help than I could. We are trying to take into consideration the fact that, while there will be quite a need for food in some of these areas for a limited time, at the same time we may have large quantities when the war ends. But we can't quit producing. We have to go forward with our food production and food provisions as a safeguard. It would be impossible to quit producing war supplies, guns, and tanks and say we will let up until we get to the last bullet. You can't risk that soldier with the last bullet. They might not quit just when we thought they would. We have that situation which we must face. It is a practical proposition. We can't take chances on it. We are going to have some problems. At the rate we have been producing things, including food, we are going to have some problems with that. I will state this: We are trying to get our reserve supplies down to just as close a level as appears to be safe. We are trying to avoid any excess stock piling anywhere. I wish I could answer your question directly. I just don't know what those conditions are over there or when this thing is going to end.

Mr. HOPE. I appreciate no one could have the complete answer to it. But necessarily, your program for the next year in the production of food is going to be based partly on whether you think we will be producing for some of the war-torn countries in Europe, in addition to our own country, I assume.

Mr. JONES. Yes.

Mr. HOPE. I want to hear what your thought is as to the need over there, not only for the present but also whether they are likely to get into production in another year and thus obviate the need for other supplies from this country.

Mr. JONES. They are going to want to get into production, of course. They are going to welcome in many places capital, machinery, equipment, supplies of various kinds, that we can't quite accurately gage. In making up our production program for next year, of course, on most of it we don't need to announce the goals until later in the year. We are going to try to follow this thing and act on the latest facts we can secure at the time of making the announcement. I think that is wise. I still feel that the world conditions which prevail after the war are going to affect this country, as well as other countries. I don't know to what extent the food production will be needed. We are going to try to use the best judgment we can, in the light of the facts that prevail at the time we are compelled to make a decision. I feel that most of these countries are going to want to get back into production and believe that they can do it in some instances in a surprisingly short time.

Mr. HOPE. Now we are obligated under legislation passed by Congress to maintain support prices on numerous farm commodities, to some degree on all farm commodities, for 2 years following the end of the war. And when the war ends, if we keep up our present production, we will be producing at a rate which is about a third higher than we have consumed in this country, even in pretty prosperous times, even in the last few years.

What is your idea as to what it will be necessary to do if we maintain this price-supporting program in the way of adjusting production?

Mr. JONES. Well, in the first place, we must try to arrange for as full use and consumption of those food products at home as we possibly can. Of course, that is going to depend a whole lot on whether we have a good economic condition prevailing through the country during the period. I think there are various programs with which you are familiar that can be used here in an effort to have as full use of food as is necessary for the health and strength of the people. Then I think we have to use practical methods in an effort to dispose of any surplus not needed at home in the foreign market. And that has to be done on a practical basis.

Mr. HOPE. Do you think that we will be able in the 2 years following the war to continue to produce on our present scale? Of course, I realize that is subject to weather conditions and other things.

Mr. JONES. That again depends on how well the country goes along with full employment. I hope it isn't necessary for us to have to crowd like we have been doing since the war. I know farmers and their women and children who have worked 12 and 14 hours a day. Old people have worked. I saw a man roping calves in the southwest a short time ago. He was past 80 years old. I saw a boy 10 years old running a big combine. They are working all the daylight hours, paying no attention to holidays or anything else in an effort to save that food. I thought it was fine, with the world aflame and as much as we have at stake. But I hope that kind of crowding for production won't be necessary. I hope we can get on a reasonable basis when war is over, and I don't anticipate that kind of a drive will be necessary.

I do hope that we can so use our resources, so conserve our resources, and so utilize our vast possibilities as to keep agriculture and industry on a strong basis. I think it is possible. I think the research to which I referred is of tremendous importance. I think the chief

reason that the industry of America has developed, as it has, is the fact that it has been willing to, and has spent a great deal for research for better articles, better uses, better facilities. The genius of American inventiveness has made possible the winning of this war. If we had used the old weapons we had at the beginning of the war, we probably wouldn't have been anything like where we are now. I think that this thing has to be picked up and carried forward all along the line if it is to go. I believe if we do that, that we can have full production. I don't mean a crowded, overtime man- and woman-killing assignment, but real work. Anybody who is worth his salt wants to work, but he doesn't want to be overworked. Nature doesn't call for that, either.

Mr. HOPE. I agree with you as to the magnificent job the American farmer has done in expanding his production to the extent that was needed. I don't think they have to be crowded and pushed during the next few years the way they have in the last few years. They need to slacken up.

Mr. JONES. By the way, just an illustration: I listened to, at a meeting a short time ago, a story of a Kentucky woman whose husband isn't living. She had two boys in the armed services and her tenant went to work in a war plant. She got out, learned to drive a tractor, plowed her own land, and plowed 150 acres for her friends. She had never driven a tractor before. That kind of crowded work doesn't need to continue. But I know there are problems connected with it. I understand what you are driving at. We can't do this unless the other goes, too.

Mr. HOPE. Even if we have full production and expand our foreign markets all it is possible to do, can we still go ahead at the rate we have been producing in the last 3 or 4 years and depend upon having an outlet for that production?

Mr. JONES. Nobody can answer that question. I think a proper use of the soil calls for certain rotations and certain limitations on the use of that soil. If you go all out to planting soil-depleting crops, the first thing you know you won't have enough production. If you just plow up the fence corners and plant soil-depleting crops completely, you may have plenty for a little while but you have to use sense. After you have produced enough there is no use of producing more to rot in the barns and in the fields. Whatever is produced should be produced for use. When you reach the point when you get all you have channeled of a crop, you might just as well stop at that.

Mr. ZIMMERMAN. In other words, we don't want any more dust bowls.

Mr. JONES. No, sir.

Mr. ZIMMERMAN. We don't wish any more eroded lands, such as resulted from World War I from overproduction and improper production.

Mr. JONES. That is right.

Mr. ZIMMERMAN. Your idea is that, when we go along with this production, we should keep in mind that we want to save and build our soil rather than deplete it.

Mr. JONES. Yes; fit our programs to the needs and outlets. We have to do that. Industry does it. We all have to do that.

Mr. ZIMMERMAN. Thank you. Mr. Hope?

Mr. HOPE. I was going to ask one more question. What I would like to know is whether the War Food Administration is giving consideration at this time in planning its programs for next year and succeeding years, as I assume we are doing to some extent, to the question of whether or not we can continue production at our present scale and find an outlet for it or whether it may be necessary for us to curtail that production somewhat. If so, what thought you have in mind as to how that might be done.

Mr. JONES. We are going to undertake to set our goals for the coming year as nearly as possible to fit the pattern. These goals are determined, and should be in wartime, on a voluntary basis. We set the goals and say we think this much will be needed. We are not going to set goals for producing more than our judgment dictates we will need for meeting the conditions and any uncertainties arising from the military needs. Of course, we are not going to ask for production in excess of what it looks like the pattern calls for.

Mr. HOPE. Don't you believe we may have more difficulty in cutting down our production if that should be necessary in order to meet diminishing requirements, than we would in getting this expanding production?

Mr. JONES. That is entirely possible. That again is linked to how conditions develop and as to whether we are all far sighted enough to keep this country balanced and whether we are sensible in our approaches to securing markets for our products.

Mr. VOORHIS. I want to go back to soil conservation for one moment. I understood you to say we had approximately held our own.

Mr. JONES. I think we have more than held our own.

Mr. VOORHIS. You do?

Mr. JONES. Yes, in the last few years. We didn't begin really on soil conservation until some 20 years ago. Some very fine-spirited men kept working for it. But there wasn't much done. For 20 years it has been growing and about 10 years ago we really began doing something.

Mr. VOORHIS. Let me put it this way: Do you believe, if the soil conservation program continued at the same rate it was going just before the war—laying aside any interference the war may have caused—that the problem is being conquered on a long-time basis?

Mr. JONES. No, I won't say that; I doubt whether we have. I think we need increased efforts. Again, we don't want to take chances on that.

Mr. VOORHIS. What kind of increased effort? What direction? Does it need new legislation or not?

Mr. JONES. It probably will need some changes from time to time. The difficulty is not so much in the legislation from the national viewpoint. It will need additional funds from time to time and increased provisions. I think some very thoughtful effort should be made toward utilizing some of this surplus machinery we are going to have in connection with the work in the soil effort.

Mr. VOORHIS. We tried.

Mr. JONES. From your own experience, you know that the past tense, "we tried" isn't your philosophy. You are going to keep on trying.

Mr. VOORHIS. That is right.

Mr. JONES. In this country, you know, "One swallow doesn't make a summer."

Mr. VOORHIS. You think more equipment could be given to soil conservation? It would make a great difference.

Mr. JONES. I do. We have a great many soil-conservation districts. A great many farmers are realizing the importance of soil conservation and are anxious to do something.

Mr. VOORHIS. That is right.

Mr. JONES. I think that when you find people in that mood, anything that makes it possible for them to have the tools, even simple tools, will be helpful.

Mr. VOORHIS. If you were a member of this subcommittee, where would you put your emphasis in regard to soil conservation? Do you think we ought to be preparing a bill, or what do you think we ought to be doing on it?

Mr. JONES. You know that is a little difficult for me to answer because I am not supposed to come up here and advise on legislation—I haven't studied that phase of what legislation is necessary—but I certainly think that some provision should be made in some way, for getting the usable machinery back where it can be used in connection with this soil program in these districts. Whatever is necessary to be done in a reasonable way, I think should be done. I think that anyone who can get that job done will be making a real contribution to his country.

Mr. VOORHIS. That is what I think. I want to know how to do it.

Mr. JONES. Months ago we started a drive for getting some of this war machinery back. We have succeeded in getting some of these trucks and other things. We have an organization that is devoting its time to that, trying to get this machinery back for farm use. We keep driving and are going to keep on driving as best we can under the power that we have.

Mr. ZIMMERMAN. All right.

Mr. VOORHIS. I wanted to ask if the soil-conservation districts are not in a position where they can pay cash?

Mr. JONES. No. Most of them can't pay cash. They are organized under State laws to cooperate with the Federal Government. They don't have the cash in many instances. If you are just going to have cash on the barrel head, they probably won't get much of it.

Mr. ZIMMERMAN. Here is a question I want to ask you. You have had a part in drawing and seeing passed legislation providing for the program of soil conservation in this country. With that personal experience as a member of the committee don't you think that we have an adequate program at this time to carry on the program for soil conservation which you have expressed the necessity for, if sufficient money was provided for that purpose?

Mr. JONES. We have a very good program. If we had the money to carry out the provisions already made and to secure the equipment for carrying it out, it would be very helpful. I was hoping something could be done, in connection with our vast surpluses all along the line, to further that—to just give it a little added push.

Mr. ZIMMERMAN. That is fine. I merely asked that question, supplementing what my friend, Mr. Voorhis, asked about what you

thought Congress should do at this time in passing additional legislation.

Mr. JONES. I have a great deal of belief in the wisdom of Congress, when they have all the facts.

Mr. ZIMMERMAN. If we pass the legislation to get the funds to continue this program, we will continue to get the results we have been getting over the years. That is my view. I don't think we have touched the great problem of water utilization.

Mr. JONES. I don't want that to create the impression, by anything I have said, that we have solved this soil problem. This has been going on for hundreds of years. You can't cure a constitutional disease overnight with a skin remedy.

Mr. VOORHIS. I am going to yield to Mr. Walter for a minute, because I want to go to another subject.

Mr. WALTER. It seems to me we have to admit the fact we are producing more foods than we can normally consume.

Mr. JONES. Yes.

Mr. WALTER. In my judgment, that excess food supply should be treated just as we are going to have to courageously treat all of those special tools which serve no purpose in our peacetime economy.

Mr. JONES. I agree.

Mr. WALTER. Yesterday it was my privilege to visit one of the midwestern air fields where I saw a very revealing or distressing exhibiton. We have millions and millions of dollars' worth of stuff that cannot be utilized. It would seem to me that, in order not to seriously affect the agency, we ought to make every effort to dispose of all the foodstuffs we have abroad, no matter how. Let this Italian keep his grain buried. He will anyway, so long as he can get something from Uncle Sam. It certainly seems to me we ought to look all over the world for places to dispose of this excess foodstuff, no matter what the terms are. I am afraid the American people are of the opinion that we are going to salvage a lot out of the money we have expended for the war effort. I am afraid that Congress has led the people to believe that. But on these big B-17's, for example, I don't think enough stuff can be salvaged to justify the disassembling of the plant.

Mr. JONES. That will be true as to much of that, I suspect.

Mr. WALTER. The excess foodstuff is in exactly that same category.

Mr. JONES. I think certainly your analysis is good. However, I think we are going to find that if the Army, which has been taking about \$2,600,000,000 worth of food a year, begins to use up some of its stock pile and quits taking so much, and we still have the farm assembly line geared to the production that support prices will make possible, then in the light of reserves and stored supplies there is going to be food in abundance.

Mr. WALTER. What percentage of the food that is raised now goes to U. N. R. R. A.?

Mr. JONES. U. N. R. R. A., as I understand it, has not taken any food.

Mr. WALTER. What percentage goes to our allies?

Mr. JONES. About 11 percent.

Mr. WALTER. What percentage goes to the armed forces?

Mr. JONES. About 13 percent. There is another 1 percent that goes into foreign channels. About 75 percent of our food has been used at home.

Mr. WALTER. Don't you think that, in order not to disturb our economy, we ought to bravely recognize the fact that 25 percent is excess and get rid of it somehow? When I say "somehow," I use the term advisedly.

Mr. JONES. We don't know conditions yet. We don't reduce production of war materials just because it appears that we may not need all of them. We can't take that chance. A hungry man can't fight. Napoleon discovered over a hundred years ago that an army can't function without food. We are watching the situation and trying to do everything we can to make the impact as light as possible and the loss, that we must necessarily take, as little as possible. But I think we should negotiate as far as we can for the disposal of food in the aftermath, in various ways. I would like to take it up with other countries. There are agencies that have the responsibility for that.

Mr. WALTER. Your planning has to be haphazard, if you please, to a greater degree of that, than manufacturing. When you are manufacturing a product, you can cut it off somewhere. But you can't stop the food that is growing at that moment.

Mr. JONES. No. Food is pretty well on an annual basis. When you start, you have to finish up the year's production. For that reason we have a very difficult assignment in setting our goals for next year. We are going to set them as late as we can in order to know as much about the picture as is possible. Of course, certain ones we must set as we go along.

Mr. VOORHIS. I am a little worried about a couple of things here. In the first place, the armed forces are American citizens. Whereas they may be getting a bit more food now than they got before, they are still going to be eating food in the United States after the war.

Mr. JONES. That is right.

Mr. VOORHIS. That 13 percent can't be subtracted, not all. In the second place, isn't it true that before the war, we were on a balance and America was importing about as much total foodstuff as we were exporting? Not the same stuff, of course. Weren't we importing about as much food?

Mr. JONES. I would rather have Mr. Wells answer that question. We were importing certain types of food like coffee and sugar, and many other types of food.

Mr. VOORHIS. I asked that same question yesterday. I think I got the answer that we imported as much as we exported.

Mr. WELLS. That is approximately correct.

Mr. JONES. I had that impression.

Mr. VOORHIS. I wanted to make it clear that the amount of wheat and cotton we have to export isn't a net export balance and that there are certain food commodities that come into the country. Therefore, I think we have to be careful not to overemphasize the fact. If we really did have a full consumption economy in America, we still would have vast surpluses of food.

Mr. JONES. Of certain commodities.

Mr. VOORHIS. That is right.

Mr. JONES. Of course, these soldiers are going to eat, probably not quite so much, but measurably they are going to continue to eat. There won't be the necessity for the stock piling. I believe Congressman Walter's questions primarily referred to stock piling.

Mr. VOORHIS. I am attempting to indicate that this is a specific commodity problem to a much greater extent than it is a general agricultural problem.

Mr. JONES. Oh, yes. You have a general agricultural problem, but you ultimately go down to your specific commodities before you have any intelligent grasp of the subject.

Mr. VOORHIS. I will try to get through in a hurry. I want to ask you something about prices and surpluses. First, how long do you think we should have a price-support program for agriculture? Two years, or indefinitely?

Mr. JONES. If you will define your support price, I will answer that. I want to say this—that in the legislation that I personally sponsored in 1938, we made provision for loans which, in a sense, were to support prices, and authorized them on all commodities.

Mr. VOORHIS. Do you think the time should come of abandoning the policy of preventing collapse of agricultural prices?

Mr. JONES. I think when they do, we will abandon our greatness.

Mr. VOORHIS. That is what I think. You think that it should be made a permanent policy?

Mr. JONES. I think some provision should be continued. I believe it so strongly that I helped write it in the law.

Mr. VOORHIS. What kind of provisions do you recommend?

Mr. JONES. I don't want to undertake to answer that, because that requires a study of the individual commodity and its varying problems. There are production changes. The area of production and demands for commodities shifts. For that reason, the support price on most commodities, outside of the staple commodities, was left to the administrative authority to determine in the light of conditions prevailing at the time the determination was made.

Mr. VOORHIS. Do you believe that provisions of loans at certain percent of parity, or parity, on the one hand, and direct purchases in case of certain commodities or certain decisions ought to be used?

Mr. JONES. Yes; I think those devices should be used. I think considerable provision should be made along the lines of section 32 funds, which gives a broader power in disposing both here and elsewhere of the supplies that temporarily are in surplus. You know a perishable commodity must be handled pretty well at the time it becomes surplus. You can't carry it.

Mr. VOORHIS. At the moment, you have so many eggs that you don't know what to do with them.

Mr. JONES. We have got an egg problem, not quite as bad as we had. We bought about 6,000,000 cases and have about 1,400,000 left. I am very proud of the job done in handling of eggs. Anybody who might sit down and listen to that story would know that if we hadn't had the support price, we wouldn't have had the eggs we needed. Eggs might be a dollar or a dollar and a half a dozen. The consumer got a break on that support price.

Mr. VOORHIS. When I was home—

Mr. JONES. I understand eggs are a dollar apiece over in France.

Mr. VOORHIS. One of the things my people want me to bring back to Washington was the way that program was handled by W. F. A. at the time. The point I want to make about this is: Isn't it true that the possibility of carrying out that phase of a support price program depends directly on your having proper outlets to dispose of the stuff?

Mr. JONES. Undoubtedly.

Mr. VOORHIS. A specific question—this is a tough one: What percentage of that problem of conducting a support price program for perishable commodities, not among the basic staples, could be handled if we had developed a school lunch program geared to the nutritional needs of the children of America?

Mr. JONES. I couldn't answer that question. It would make a decided contribution.

Mr. VOORHIS. It would be a substantial contribution.

Mr. JONES. Yes.

Mr. VOORHIS. Do you believe, for instance, to use the present situation, that eggs which were devoted to a school lunch program would hurt the market for eggs in the families of the very children eating the eggs in connection with a school lunch? In other words, would the fact that my child ate a couple of eggs for lunch at school, in a school lunch program, reduce the number of eggs which my wife and I would buy at the store for our home table?

Mr. JONES. Probably not. It might encourage you to create an appetite for them.

Mr. VOORHIS. I agree with you. I don't believe that reduces the normal market for the commodity.

Mr. JONES. No; it wouldn't any more than the extension of these rural electrification lines have destroyed the market of people supplying electricity. It widened the market.

Mr. VOORHIS. Don't you believe the people then in the local communities would become increasingly interested if they had taken more financial responsibility than the responsibility they now take in conducting the programs and sponsoring them?

Mr. JONES. I think that is possible.

Mr. ZIMMERMAN. Any questions?

Mr. MURDOCK. I have several. I haven't been here as long as Congressman Cooper. When he said at the opening of the session that it was the best paper he had heard in his experience in Congress, I felt I can second that comment in due proportions. It is the best I have heard.

Mr. JONES. Thank you.

Mr. MURDOCK. Now, you have indicated that we are holding our own in a way with soil conservation and fertilization and we have made a temporary draft upon our productive possibilities during the war. But we are able, and are going to be more than able, to continue a high level of agricultural production.

Mr. JONES. That depends on whether we continue the grasp of this subject and continue the period for carrying it forward. Eternal vigilance is the price of liberty. It is so old as to be trite, but it is still true.

Mr. MURDOCK. I hope we are going to take heed of all that and continue on this high level of food production. I have already indicated, Judge, that we can't be too careful in limiting production because of the fact that the war might end tomorrow. However, I have implied that it is possible that we might be faced with surpluses.

Mr. JONES. We may have periodic surpluses of some commodities.

Mr. MURDOCK. Is there any safety valve, maybe not to be used at once, but in the long run, that would take care of that hazard?

Mr. JONES. Well, of course, you need some provision if you are going to have an orderly program. You need some provision for an outlet and handling things that are in excessive supply over the normal needs and the normal flow of commerce. That is easy to have if you have some provision for outlets. Just to illustrate, the section 32 in a limited way provides for that. I think that additional provision probably should be made from time to time to be ready to act at once. You know, when perishable goods get on the assembly line, they won't wait. Otherwise, they are lost.

Mr. MURDOCK. I am in hearty agreement with all that the Congressman from California has said about using school lunches. What I have in mind is this: Are there means of utilizing farm products in industry, through chemical uses, chemurgy for instance, that would act as a safety valve for the taking out and making use of any surpluses over and above human needs.

Mr. JONES. As to some commodities in some instances, no doubt that could be done. That would depend upon the amount of surpluses. Their use along those lines is at least to some degree limited of course.

Mr. MURDOCK. I remember, when I came here as a new congressman in 1937, about the fight you were putting up. Among other things, you asked for the establishment of experimental laboratories. Four were eventually established. As Food Administrator, have you been pleased or disappointed with the results?

Mr. JONES. I have been greatly pleased. May I say that, during the war, a good deal of the personnel of those laboratories has been transferred to war work like all other industries. They have made a distinct war contribution during this period. A great many of the personnel went into the service. Then their work was diverted to a large degree to those things that would contribute toward the war. But they have done some very fine work. Like many other problems, the more they do, the wider the field of possibility unfolds. I think there is a tremendous future for those men and women if Congress will make adequate provision for them.

Mr. MURDOCK. One thing I wanted to underline in all this was the judge's statement in regard to water utilization. If you will look at the map there, take that region west of the hundredth meridian—say west of the ninety-seventh meridian—more than a third of our States of the Union lie west of the ninety-seventh meridian, some in a semi-arid region.

Mr. VOORHIS. Those are the most important States.

Mr. MURDOCK. Those States are more than a half in area of the entire country. I think, Mr. Chairman, we ought to either have Judge Jones or some of his assistants or some one from the Bureau of Reclamation amplify what he has put in his statement about the need of conserving and utilizing every drop of water that falls on these surfaces. I would like you to suggest that we devote an entire hearing to water utilization. Our time today is so limited. I know, Judge Jones, also of your valued fight in that respect, maybe because you also hail from the west. You see there the challenge to the engineer and the scientist to turn that desert into a fruitful place. We have already done a lot of that. That is the thing I wanted to underscore in today's statement.

Mr. ZIMMERMAN. I will say like Mr. Murdock, if we get the opportunity, as chairman of this subcommittee and with the consent of the

other members of this committee, I will assure him we will try to have a hearing on this very important question and bring before this committee, the men connected with the different departments who can enlighten us fully on that very important question.

Mr. WOLVERTON, I believe you have a question?

Mr. WOLVERTON. Mr. Chairman, I have two or three questions I would like to ask. With reference to the first question I will ask, I might say that I have long sought this opportunity. Coming as I do from an industrial community, I am very much interested in the answer to this question: What is the reason for the difference in price received by the farmer for his products, and the price which the consumer is required to pay?

Mr. JONES. That is a pretty long story and I suspect you would need the aid of the Committee on Agriculture. I will state this, of course, that the methods of industry today in handling the different commodities must be considered. Naturally, in the perishable commodities there are some losses which explain some of the difference. I have always felt there is too wide a difference, generally speaking, between what the farmer gets and what the consumer pays. I don't like to be bringing up the egg illustration again, but for a long time the dealers would come to the market when the supplies were abundant; buy them and store them; and later take advantage of the shortage. I suspect some of the criticism came from some of those who found their little playhouse interfered with.

We sometimes exaggerate, however, in our own minds, the spread that does exist. I think it is too much in many instances. Yet there comes into that the handling, the loss, the shrinkage, the transportation, refrigeration, the processing—all of which are elements of cost. Then the chance which the businessman must take—having some of it left on his hands or not being able to dispose of it within a limited time. All those things, if a man is going to be fair, must be considered. Even so, I think it is a long story to ferret out just where the trouble lies. I think advantage is sometimes taken. Sometimes men have ganged together, have their agreements to not compete.

Businessmen are pretty resourceful. They sometimes take advantage of the farmer, buy his stuff when they know he must sell right at the market time when there is a glut. Naturally, a man is going to buy on the best terms he can. For that reason I think the supporting loans are very effective in helping to cure the very problem to which you refer. Then a farmer, though he has obligations, isn't compelled to sell when everybody else is selling. He can carry it along. Those things can be handled better with the staple products that are not perishable than they can with the highly perishable commodity. Of course there are State laws, sanitary laws, trade practices, many things that have been developed in recent years. We have the market agreements in relation to milk. That has helped the situation. These are market agreements you are familiar with. They have been organized under the Agricultural Marketing Agreement Act. Even so, that is a problem that has to be cured gradually. I don't think there is any single remedy. It is a growth. We learn by doing it co-operatively. The cooperative organizations, I think, have helped to handle the various commodities and have thus furnished a route around the regular channels and thus helped to hold them in line. It is the competitive nature of the thing. That is a continually changing problem. It is fraught with vast difficulties. Some practices

have been unfair, some unjust. In many instances margins have been wide. I think we are gradually approaching a solution.

Mr. HOPE. I wonder if Mr. Wolverton will yield to me for a very brief statement?

Mr. WOLVERTON. Yes.

Mr. HOPE. The Committee on Agriculture is just beginning an investigation into the whole field of the marketing of agricultural products, which we hope will enable us to give you some answer to your question. It is going to be a very thorough investigation and will cover the whole field. It will take some time. We hope to get some facts that will help solve that point, which to many people is quite a mystery.

Mr. JONES. I am glad to hear that. It is going to take time. Probably they are going to recommend some legislation and change in practice. You will have full information that will be helpful.

Mr. WOLVERTON. It is very encouraging to me to know the Agriculture Committee has recognized the importance of that question and is making it the basis for a separate study. I have been here in Congress for upward of 18 years and I have heard through all that period of time the condition of the farmer, the different programs that have been put forth to improve his economic standing. I realized that the farmer was not getting in my opinion what he was entitled to get for his labor that went into his products. But I have supported all of that legislation that would tend to improve his standing.

Mr. JONES. I know you have done so personally and I think you have taken a very broad view on that subject.

Mr. WOLVERTON. On the other hand, I have heard much about the O. P. A. and the price to the consumer. I have been in favor of that program and I have supported it. But there is the in-between position in which I think all of the reasons you have given might be summarized into a problem of marketing that does deserve very careful consideration. I am very glad indeed to be informed that the Agriculture Committee has taken upon itself that responsibility.

Now, the other question I wanted to ask is this: As you realize, we are sitting here as a committee of the House, which placed upon us the responsibility of studying the problems of the post-war period, and making recommendations to the House for appropriate legislation in dealing with, or to provide a solution, if possible, of those problems. The responsibility is upon us to make recommendations. I am unable to see how we can make recommendations unless we have from those who occupy positions of importance in the administration of our Government their thought as to what should be recommended for legislation.

Taking by way of illustration the important department which you so well head—the War Food Administration—as you pointed out in your statement, it is an independent agency reporting directly to the President. It utilizes and has control of the action agencies of the Department of Agriculture, as well as its own personal staff. It has the advantage of the experience of those who have long been in this same line of work. Now that statement of background to my mind lays a foundation of experience that would justify this committee in asking you as the head of the War Food Administration, what specific recommendations would you make, which, in your judgment, this committee should recommend to the legislative committees of the House as a basis for their discussion.

Mr. MURDOCK. May I ask the chairman whether an answer is expected at once?

Mr. WOLVERTON. No. I wouldn't ask that. I am too interested in having a full answer and a helpful answer than to expect Mr. Jones on the spur of the moment to outline an answer to that question. I would be very glad if he had an opportunity to amplify his statement.

Mr. JONES. I would be unwilling to make a recommendation at this time. I may say under our system, whatever recommendations we may make, or that may call for any expenditure of funds, are cleared with the Budget. Therefore, we need to know pretty well in order to do that. We have to go back and get that authority.

Mr. WALTER. I don't agree with you on this particular question.

Mr. JONES. Therefore, in order to do it—what do you say?

Mr. WALTER. I don't agree with you. You are not making a request for legislation to a legislative committee. You are making recommendations as to the type of legislation this committee should consider. Whether we accept your recommendations or not is a different story.

Mr. JONES. What I was leading up to was this: I can talk over the problem with you, make suggestions as to what I think the legislation should cover. Then I think this committee should give us, some of our people, an indication of what phases of the subject, if any, appeal to them, then make requests. On the request for the drafting of legislation on any specific subject our people could do that work. I don't know—I had rather this be off the record.

Mr. ZIMMERMAN. Very well.

(A few remarks followed off the record.)

Mr. WALTER. I am quite certain the legislation would be introduced by the chairman of this committee and subsequently referred to the proper legislative committee and not submitted to the Bureau of the Budget.

Mr. WOLVERTON. That would be the duty of the legislative committee to ascertain whether it is in accordance with the President's program.

Mr. JONES. The committee can introduce any legislation it wants to, of course, but you were talking about our bringing up legislation and asking that it be passed.

Mr. WALTER. You can bring it but whether or not we introduce it is another question.

Mr. WOLVERTON. May I indicate some other problems I think this committee would be glad to be informed upon?

Mr. ZIMMERMAN. Yes.

Mr. WOLVERTON. First, what should be the policy in the conversion period relating to disposal of governmental surpluses? Second, what should be the policy with respect to the removal of wartime controls? Third, what should be the policy with respect to supporting agricultural prices? Fourth, what policy should be adopted to encourage foreign trade? Fifth, what policy should be adopted guiding migration and settlement? Sixth, what policy should be adopted with respect to adjusting production? Seventh, what policy might be suggested as to maintaining an effective demand for agricultural commodities at a high level?

Now, those are some of the problems that are facing this committee. I have no doubt that other members of the committee could probably add some other questions. But they are questions that I am certain this committee is interested in having answered or having brought to the best consideration of men such as yourself. It would be of great assistance to us in making our recommendations to the proper legislative committees.

Mr. JONES. I want to thank you for the suggestion which you make there. Now, may I say this, that some of those touch the work the War Food Administration is doing. We have made some suggestions. In fact I have made some today. There are some other suggestions that may affect us which I will be happy to give you—specifically the ideas we may have upon them.

There are others that cover the field of other agencies that, of course, would necessarily be referred to them. Then there are others that cover the long-range work of the Department of Agriculture that I think should be handled not so much in connection with the War Food Administration. I would feel that I was encroaching upon other grounds and the field of other activities, if I undertook, on my own, to make suggestions concerning them.

I will be glad to look over those and any other questions and give you my personal viewpoint, as to what I think of the ones which I think fall within the field of the War Food Administration. I have a pretty hefty assignment as it is; I would simply have to ask some one else to do the drafting work in connection with the ideas that I might have, because they keep me pretty busy down there at times with a lot of these problems coming up.

Mr. WOLVERTON. I have suggested some questions which I think this committee would appreciate having an answer to, if possible; some help as would make them able to make an answer, relating to food. I don't expect you to go out of your immediate field. I am presenting those problems in connection with food. Now, if the set-up of departments or agencies is such that you would have some hesitancy in expressing opinion as head of the War Food Administration, I would be very glad to have the benefit of your thought in the matter as an individual of long experience and recognized reputation.

Mr. JONES. I would like to ask that you do this, that you make up the list of suggestions and send them to Justice Byrnes who has been asked to work on these and let him parcel them out to the various agencies that have jurisdiction. I want to cooperate in any efforts I make. I don't want to run counter to the plans and have it makeshift. It ought to be integrated some way. Some of these questions go entirely to other agencies.

Mr. WOLVERTON. I understand you don't want our team to get in the position of no hits, no errors, no runs.

Mr. JONES. In connection with my job, I don't want to be doing things that would—any army has to work pretty well together. If one division of the army went one direction, another another, without ever thinking or consulting with each other, you would get into trouble. I want to do teamwork insofar as it is practicable to do so.

Mr. WOLVERTON. As I understand the procedure you suggest for this committee is to send for Justice Byrnes and ask him if you may answer those questions?

Mr. JONES. No, sir. My suggestion is you get the various questions, some of which would go entirely into the field of another agency, ask him and let him refer the ones that each agency is to handle to them. And you can send any direct to me that you want to and I will be glad to give you my personal opinion as to anything that I touch.

Mr. WOLVERTON. The problems I have just indicated on the spur of the moment, so to speak, in my mind relate to food. I am perfectly willing that your answer should relate entirely to your views on those problems with respect to food.

Mr. JONES. To war food?

Mr. WOLVERTON. To food.

Mr. JONES. I am a war-food administrator.

Mr. VOORHIS. We want to know what you think. We don't want to know what Justice Byrnes or the Bureau of the Budget says you think. We want to know what you think.

Mr. ZIMMERMAN. I would like to ask a few questions. One is this. We had the Secretary of Agriculture before us yesterday at our initial hearing. He stressed that we must have full production. This is a post-war program for agriculture after the war is over.

Mr. JONES. Yes.

Mr. ZIMMERMAN. A long-range program. And the goal to be reached is full production of agriculture which must be accompanied by full production of industry and full employment of labor at a wage that will enable labor to consume our manufactured products and likewise our agricultural products.

Now, that is the goal we are all striving for. We say in order to do that we have to have a national income of about \$150,000,000,000 a year. He told us yesterday that, so far as agriculture was concerned, there would be able to consume about 94 percent of our commodities here at home, provided we have this production of industry and employment of labor, hopefully looked for; and that there would be about 6 percent of our agriculture that we would have to get rid of through our foreign neighbors.

What impact, what effect do you think the proper disposition of that, say, 6 percent, or 8 percent, or whatever it may turn out to be, will have on our domestic agriculture here at home? I would like to ask you that.

Mr. JONES. You mean the disposing of it abroad or the failure to dispose of it?

Mr. ZIMMERMAN. Yes.

Mr. JONES. Failure to dispose of any surplus, a very small surplus, can very greatly upset, just like a very small margin of shortage can permit prices to go sky high. I do think some effort should be made to have a channeling of whatever surplus remains. Some plans are needed for channeling that abroad. There isn't any straight-edge probably that you could lay down. But the problem will have to be met from time to time in connection with certain commodities.

No one can know when the farmer plants the crop just what the seasons are going to be. For instance, in potatoes last year, they set the goal for a certain acreage of potatoes. We had perfect weather from Maine to Idaho, producing more potatoes than were ever produced in the world before. Nobody can tell, can lay down a thing; so an escape valve or governor of some kind needs to be held available.

Mr. ZIMMERMAN. Can we lay this down for the consideration of this committee: that in order to properly deal with the future of agriculture in our country, we must take into consideration what we are going to do with this surplus, 6 percent more than we can consume domestically.

Mr. JONES. I don't like to limit it to 6 percent. That reminds me of notes I used to make that ran 10 percent instead of 6. Certainly some provision should be made and would necessarily have to be made. I think, too, if you have support prices, especially if you get them at the proper place, there must be some provision made for competing in the markets of the world on some basis of equality.

Mr. ZIMMERMAN. Then, in your judgment, that is one of the problems of this committee: To make some recommendation concerning that agricultural surplus which we will have when our domestic consumption reaches the highest point?

Mr. JONES. If this committee is undertaking to cover complete post-war planning, I think that problem is an important part of the undertaking.

Mr. ZIMMERMAN. In other words, we cannot make a recommendation that would help solve our agricultural problem unless we do deal with that one?

Mr. JONES. That must be dealt with. There will be periodic surpluses of commodities no matter how carefully any plans are worked out.

Mr. ZIMMERMAN. We have been told, of course, that to have this full production of agriculture at home, we must have support prices. And some say we must stimulate this school lunch for extra consumption. We must have something like the food-stamp tax also to stimulate consumption. We must further develop rural electrification to improve conditions for the farmer.

But when we do all of that, then we are faced with that final problem, what are we going to do with the surplus we are going to produce? You have just told us the soil-conservation program will finally reach the point where a very few acres will produce what we are producing now.

Mr. JONES. Of course, you, necessarily, are going to meet that problem from time to time. If the country is kept on a prosperous basis, however, it will go far. It will do more than any other one thing toward minimizing the difficulties of that problem. That is the biggest way to meet it.

May I say that the stamp problem is just a part of the section 32 idea. It all was the outgrowth of that, tied on to that provision.

Mr. ZIMMERMAN. That is right.

Mr. JONES. The Committee on Agriculture is the one that sponsored that original provision.

Mr. ZIMMERMAN. I am convinced that we can never make a recommendation for a healthy agriculture in the years to come, over a long period of time, unless we work out some method whereby our country will be able to dispose of this surplus—6 percent or whatever it happens to be—to the other countries of the world where there is a need for these surpluses. It seems to me that is the big problem.

Now, we can work out our home troubles here. In other words, we have Congress and we can set up the machinery to deal with the consumption of agricultural products. We can make that consumption just as great as we are a mind to do.

But when we go to dealing with surplus, which has a very depressing, disturbing influence on our agricultural economy, that is a matter which presents more serious difficulties. Those problems must be solved.

Mr. VOORHIS. Will you ask the gentleman whether he thinks the recommendations of Bretton Woods would help to solve that problem?

Mr. JONES. I am not familiar with the details of that recommendation. I think the financial side and the proper handling of finances is almost the lifeblood of any undertaking. I am sure their recommendations were important, but I haven't had a chance to give consideration to them.

Mr. MURDOCK. Recognizing the difficulty of dealing with these surpluses of which we speak, you would prefer to deal with a surplus rather than a deficit in food production, would you not?

Mr. JONES. Yes; I think a deficit is difficult, especially in wartime. In wartime, with all the headaches that a surplus brings, it is infinitely less difficult than a shortage, because you can't eat the shortage.

Mr. MURDOCK. Your philosophy has been an agriculture leading to an economy of abundance?

Mr. JONES. Always. If you go back through the period of my service in Congress, I emphasized time and time again through the years, that we ought to produce all the market could absorb, both at home and abroad.

Mr. MURDOCK. In the House you emphasized that very fact and I remember it distinctly—another point in your favor, always in my mind.

Mr. HOPE. Mr. Chairman, it isn't the problem, though. The basic fundamental problem we have had to deal with continually in considering legislation for agriculture was some way to keep the farmer from becoming the victim of his own abundant production.

Mr. JONES. That is right. He never has had the control which seemed to prevail in, at least, certain lines of industry, in being able to adjust his production so that he didn't produce in excess; and he had no way of finding an outlet for this surplus. That was the reason for certain legislation which enabled him to adjust his production in his own interest and on a proper basis, insofar as it was practicable to do so, to the needs and the outlet.

Now, he didn't have much voice, especially in the old days. He went to the market with food and took what they offered him. He went into the store or to the market and bought goods and paid the price that they named to him. He had no voice in pricing the article he sold nor in the article he bought.

Farmers live in widely scattered areas. The wheat producers' activities, for instance, range all the way from the Winter wheat of the Southwest, Spring wheat of the Northwest, and through the other types of wheat in the far West, more than 60—in fact, scores of different types and varieties grown by farmers 2,000 miles apart. That is only one of the 166 or so commodities which are grown by the farmer.

For that reason, any legislation which either directly or indirectly gives him a part in the economy of the country, should be fitted into the national program. This is part of the philosophy you and others have worked on for years up there. We have done the best we could with the limited facts and meager tools we had to work with.

Mr. WOLVERTON. If others are all finished, may I conclude the hearing by saying—

Mr. VOORHIS. I had one more question.

Mr. WOLVERTON. I won't conclude the hearing, but say what I wanted to say. The specific problems mentioned by the chairman, Mr. Murdock, and Mr. Hope, subsequent to my laying down what I considered a statement of problems in general language, all come within one or the other of that general statement I made with respect to problems.

When you speak of surplus and what to do with it, I stated it in the words, "A policy for maintaining an effective demand for agricultural commodities at a high level."

So that, by way of illustration, every one of those problems comes within the general statement that I made as to the problems this committee was interested in having a solution. Although I come from an area mostly industrial, I have always felt—and for that reason gave my support to you, Mr. Hope, and the others who have sought to improve the standing of the farmer—that in this Nation we all go up or down together and that there cannot be any real separation between the good of the farmer and the good of the industries.

Mr. JONES. I think that is the true philosophy. Of course my time is almost completely taken up with the war-food problem. I came over to do a war job and cannot neglect that. I want to be helpful along other lines, and I will always be interested in agriculture because I gave so many years of my life to the problem. But I must do the assignment which has been given me, because that is the thing I came over to do.

Mr. ZIMMERMAN. It is now 12:30. Have you any other representatives whom you would like to have present their views to the committee?

Mr. JONES. Mr. Mallard has been handling the machinery problem, and Colonel Olmsted has been handling the purchase and distribution of the food for lend-lease, some of it for the Army but mostly for lend-lease. If you want to ask them questions—I am simply saying that they are available, if the committee wants to go into any of those phases. They are doing public business, and they are available; if you want to ask them a question about the situation, they may be able to give you more specific answers about some of them than I am able to give.

If you want to question them at a different time, Colonel Olmsted is leaving sometime next week, and it would be necessary to arrange a convenient time. If you want those gentlemen up for any particular phase which they have been covering, they are at your disposal.

Mr. ZIMMERMAN. You indicated today that, when you deal with the food problem, you are dealing with a war problem. There are some things you would probably not want on the record. Should this committee call Colonel Olmsted in executive session and not have his testimony for the record?

Mr. JONES. I think he could probably talk more freely—I don't know how far he can go. Maybe I had better consult with him about that.

I will talk with you about having him up here. I suspect when he does appear, we will let him determine that.

Mr. ZIMMERMAN. If there are no further questions, we will adjourn. I want to again express my appreciation of your presence here today and the wonderful help you have given this committee in this big job you are trying to do.

Mr. JONES. I desire to thank the committee. They have been very courteous.

(Thereupon, at the hour of 12:35 p. m., the subcommittee adjourned subject to call of the Chair.)

POST-WAR ECONOMIC POLICY AND PLANNING

FRIDAY, DECEMBER 15, 1944

HOUSE OF REPRESENTATIVES,
AGRICULTURE SUBCOMMITTEE OF THE SPECIAL COMMITTEE
ON POST-WAR ECONOMIC POLICY AND PLANNING,
Chicago, Ill.

The committee met at 10:30 a. m., Hon. Orville Zimmerman (chairman), presiding.

Members of committee: Hon. Orville Zimmerman, Hon. William M. Colmer, Hon. Jerry Voorhis, Hon. Hamilton Fish, Hon. Clifford R. Hope.

The CHAIRMAN. So that those present may know who is present, to my extreme left is Hon. William M. Colmer, chairman of the Post-War Economic Policy and Planning Committee of the House of Representatives, who has honored us with his presence here.

To my left is Hon. Clifford R. Hope, member of our Post-War Committee on Agriculture and Mining. I happen to be the chairman of the Subcommittee of Post-War Agriculture and Mining.

To my right is Hon. Jerry Voorhis of California, member of the committee. Both Messrs. Hope and Voorhis are members of the House Agricultural Committee, Mr. Hope being the ranking member on the Republican side.

The House of Representatives, early in 1944, passed a resolution which established a special committee on Post-War Economic Policy and Planning. The functions of this committee were to bring together the best views available in our Nation with respect to the many phases of our return from a wartime economy and to advise with the various committees and Members of Congress on matters of policy and legislation.

The committee has done a good deal of work in connection with the immediate legislation that was needed during the past year. This legislation included provision for the termination of war contracts; the establishing of an agency for the disposal of war surpluses, both of property and of commodities; and a law to facilitate the process of transition by establishing an over-all Office of War Demobilization and Reconversion.

The committee has a number of subcommittees which are actively investigating special post-war problems, such as foreign trade and shipping, construction, and public works.

In this hearing it is the purpose of the Subcommittee on Agriculture and Mining to examine the long-range policies toward which agricultural legislation should aim. It has been the committee's conclusion that short-time programs can be sound only if they are focused in the direction of a sound and sensible long-time program. We have, therefore, chosen to pass over, for the moment, the very pressing

transitional questions which we will have to meet in shifting from wartime to post-war agriculture. We are seeking to develop those principles and policies which the people of the United States feel should be a part of a long-time agricultural program.

For the present hearing we have asked our witnesses to help us in the development of a policy with respect to four major agricultural problems. The first is the smoothing out of the violent ups and downs in agricultural income which have in the past resulted largely from crop yields or from business-cycle changes.

The second question pertains to policies for putting agriculture on a satisfactory self-sustaining basis. The major question is whether agriculture can make the long-range adjustments needed to enable it to pay its own way and to produce efficiently products which the Nation needs, without running into chronic overproduction and loss of income.

The third problem we have asked our witnesses to discuss is the potential market for farm products which might be developed through greater consumption and more adequate nutrition.

Fourth, we are interested in the problem of reconciling our own domestic agricultural policies with the desirable national foreign-trade policy for the post-war period.

These are examples of the kinds of problems the subcommittee has felt were important to investigate.

I want to introduce at this time Hon. William M. Colmer, chairman of the Post-War Economic Policy and Planning Committee of the House of Representatives, who has so kindly consented to be with us on this occasion.

Mr. COLMER. Thank you, Mr. Zimmerman. I am very happy to come out here and be with you and the other members of this subcommittee to hear these witnesses on the future of the agricultural industry in this country. I think you have stated the program rather comprehensively. Since I am out here to listen and learn, rather than to make any statements, I shall not attempt to make a statement at this time.

Mr. Chairman, I should like to supplement your statement about those present, by adding that we also have, for the purpose of the record, here with us Mr. H. B. Arthur, one of the consultants of the committee. Mr. John Flannagan, chairman of the legislative Agricultural Committee of the House, and Mr. John Murdock, a member of that committee, and also a member of your subcommittee, were unavoidably detained by official duties but expect to join us for the Monday meeting.

The CHAIRMAN. I omitted to state that the Honorable Hamilton Fish, a member of this subcommittee, is here and will shortly be with us and participate in the meeting.

We have asked Dr. Theodore W. Schultz to appear as our first witness and to outline for us the major problems as they appear to him. Dr. Schultz is with us and we will now hear from him.

TESTIMONY OF THEODORE W. SCHULTZ, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF CHICAGO

Mr. SCHULTZ. Chairman Zimmerman, I deem it a privilege to meet with you this morning. I would like to proceed informally in the sense of a seminar in which you may want to, and I shall certainly

invite you to, press me with questions or observations at any point as I proceed in the comments I am about to make.

The CHAIRMAN. May I interrupt at this point?

Mr. SCHULTZ. Yes, sir.

The CHAIRMAN. Would you prefer to make your statement and then submit to these questions from the members of the committee, or would you welcome interruptions?

Mr. SCHULTZ. I would welcome interruptions if it would facilitate your own inquiry.

I wonder would it help you if I put into your hands a copy of an outline that I have prepared, in which I have stated the questions to which I am addressing my comments.

The CHAIRMAN. I am sure that would be very helpful to the committee.

(The information requested is as follows:)

I. Problem of instability of income from farming.

A. How important is this instability to American agriculture?

1. In absolute terms—effects on expectations and outlook of farm people.
2. Income instability relative to other major occupational groups.

B. What are the basic causes for the income instability?

1. Fluctuations in agricultural production.
 1. Total agricultural production of the United States.
 2. Production by farm products.
 3. Production by regions.
 4. The production history of individual farms.
2. Fluctuations in the demand for farm products.
 1. Caused primarily by business fluctuations.
 2. Unemployment and demand for farm products.
 3. Effects of business cycle upon American agriculture.

C. What principles should guide policy-making?

1. In lessening the instability in farm income caused by fluctuations in production.
 1. Should the focus be on individual farms or on the national behavior of production?
 2. Does crop insurance provide a guiding principle?
 3. Can storages of crops reduce fluctuations in production?
 4. Can new practices and techniques in farming make production steadier?
2. In lessening the instability in farm income caused by fluctuations in demand.
 1. Should agricultural production be curtailed during a business depression and expanded during a boom—that is, control agricultural output so it too rises and falls with business booms and depressions?
 2. Since agricultural production for the country as a whole tends to be exceedingly stable, should farm prices be maintained, supported during depressions, in order to reduce the instability of farm income?
 3. Should programs subsidizing food consumption be geared to business fluctuations?
 4. What are the merits of a system of compensatory payments?

II. Problem of underemployment in agriculture.

(Main question is, How many farm people achieve a high level of economic productivity based on efficient use of agricultural resources, thus over the years, earning for themselves a high standard of living?)

A. Why are the earnings of farm people so low comparatively?

1. Low economic productivity of resources in farming.
2. Half of United States farms in 1939 produced (for sale and household use) \$625 or less.
3. Excess supply of labor primary factor.

II. Problem of underemployment in agriculture—Continued.

- B. What are the primary causes for the widespread underemployment so characteristic of modern agriculture in peacetimes?
 - 1. The demand for farm products is growing less rapidly than the supply?
 - 1. Importance of the low-income elasticity of farm products.
 - 2. New farm technology is chiefly labor saving in its effects.
 - 3. The natural increase of the farm population is high relative to urban and other nonfarm groups.
- C. Does the historical drift toward a smaller labor force in agriculture reflect basic forces?
 - 1. Proportion of Nation's labor force engaged in agriculture has dropped from 37 to 15 percent since 1900.
 - 2. In spite of high wartime prices and high farm income the farm population has dropped from about 30 to 25 million people.
- D. What principles should guide policy making in reducing the excess supply of labor in agriculture—and thus help achieve for farm people higher economic productivity per person?
 - 1. Should this Nation embark on a "back-to-the-land" program for returning soldiers?
 - 2. Do subsistence farms offer a way out?
 - 3. Why are there so many barriers to migration from farms to other occupations?
 - 4. How important is the growth of business in absorbing the excess supply of labor that is constantly accumulating in agriculture?
 - 5. Does more leisure on farms offer some assistance?
 - 6. Is there need for governmental machinery to help equalize the labor supply?
 - 7. Would public investment in the human agent facilitate a better distribution of the Nation's labor force?

III. Problem of improving nutrition and its implications to the consumption of and demand for food.

(My outline is purposely brief here for others will develop this topic fully in their testimony.)

- A. How important and what are the magnitudes of this problem?
- B. What are the major causes for such inadequate nutrition as is prevalent in this country?
- C. What principles should guide policy making in this sphere?
- D. How much additional demand for farm products will various measures to improve nutrition provide?

IV. Problem of pricing agricultural products for production and for internal and external trade.

- A. Is price the key to agricultural production?
 - 1. Primary considerations regarding the effectiveness of relative prices in guiding farm production.
 - 2. Limitations of prices in the case of soil conservation.
 - 3. Shortcomings of prices in storages of feed.
- B. What can price policy contribute (a) to resource problem in agriculture and (b) to income problem of farm people?
 - 1. In bringing about better allocation of resources.
 - 2. In improving the level, distribution, and stability of farm incomes.
- C. What principles should guide policy making in the field of prices?
 - First.
 - 1. Are prices appropriate goals to be achieved?
 - 2. Will prices necessarily equilibrate labor supplies?
 - 3. Is the parity price formula consonant with farm prices necessary to induce the best use of agricultural resources and with internal and external trade?
 - 4. Are support prices tied to parity as authorized for 2 years after the war consistent with trade and desirable production adjustments?

IV. Problem of pricing agricultural products for production and for internal and external trade—Continued.

C. What principles should guide policy making in the field of prices—Continued.

Second.

1. Should the first and primary objective in price policy be to stabilize the general level of prices—and not any specific price?
2. Should the growing gap separating internal and external prices be closed?
3. What can be done to lessen the price uncertainty confronting farmers?
 1. Merits of a system of forward price instead of support prices.

Mr. SCHULTZ. I have followed the instructions that you gave, which consisted of the statement that you have just made, Congressman Zimmerman, in the preparation of this outline, and as you note, it falls into four major categories.

The first I have called the problem of instability of income from farming.

The second is the problem of underemployment in agriculture, or, to put it another way, of how to attain earnings of a high level per person in farming, self-sustained in their own economic productivity.

The third is the problem of improving nutrition and its implications to the consumption and demand for food.

The fourth and last is the problem of pricing agricultural products for production and for internal and external trade.

I hasten to say I shall say very little about No. 3, because you are having some witnesses appear who have studied that field more than I have in the last several years. Prof. John D. Black, of Harvard University, is to appear before this committee.

INSTABILITY OF INCOME FROM FARMING

By way of introduction let me say that the income problem in agriculture is of three parts: (1) level, (2) distribution, and (3) stability.

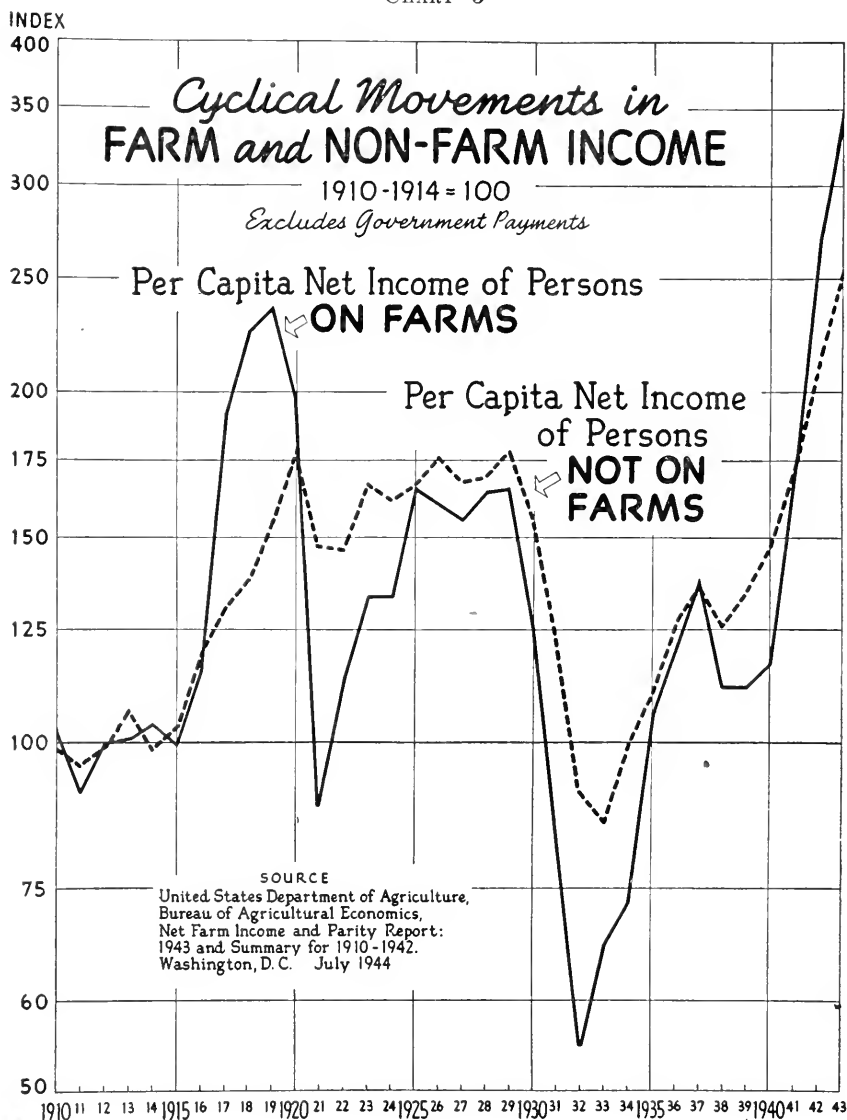
First, there is the level of the income, the level of the income of farm people as compared with other people. To improve level raises the question, how to attain a higher economic productivity for farm people. I am not, however, taking up this part of the income problem of agriculture in this statement.

Second, we have the distribution of the income between agriculture and other groups and within agriculture. I am also passing this part of income problem, although it is very important. Our democracy, and its values, has caused us to become increasingly concerned about both extremes; that is, the very low end of the income range and the very high. You have in various legislations expressed that concern.

Yet, in the inter-war years, our Government did a number of things with regard to agriculture which intensified the extremes, largely unpremeditated and unwittingly, but the fact remains that income payments—namely, the A. A. A. parity payments and commodity loans—have had the effect of pulling farm incomes farther apart. More income has gone to the higher income brackets proportionately as a consequence. Yet I am leaving this problem aside; I do not want to address myself today to the level or the distribution, but to the instability of farm income.

Now, the problem of instability of farm income is a very acute one, and with your permission I will use a chart to make that relevant and evident in this connection.

CHART 3



On this chart I have had plotted the income, per person, of nonfarm people and of farm people from farming, starting back before the other war and through 1943. At this point I merely want to call attention to the greater instability in agriculture than in other parts of the economy.

The dotted line measures the changes in income per head of the nonfarm people, rising rapidly during the other war, dropping slightly,

about 25 points, moving up some in the twenties, dropping considerably in the thirties, and rising rapidly since 1939.

The farm income is shown by the heavy, solid line, and there you have much greater instability. During the other war, with 1910-14 equaling 100, the index dropped from nearly 250 to less than 100, or a drop of more than 150 points, whereas nonfarm index dropped about 25 points. You have the same thing after 1929, and you have it in the rises also.

Now, I submit to you that American agriculture through its organized efforts has become very much concerned and rightly so about this problem of instability of farm income. It certainly is appropriate that you address yourselves to this problem.

The CHAIRMAN. Dr. Schultz, may I interrupt at this point?

Mr. SCHULTZ. Please do.

The CHAIRMAN. Would you have a small sheet of that chart prepared for the purposes of the record to insert in the record?

Mr. SCHULTZ. I will be very glad to do so.

Mr. VOORHIS. May I ask one question about it?

Mr. SCHULTZ. Yes, Mr. Voorhis.

Mr. VOORHIS. What is 100 in both cases?

Mr. SCHULTZ. The period of 1910 to 1914.

Mr. VOORHIS. In other words, that chart does not give an absolute comparison of the two?

Mr. SCHULTZ. No; just the relative stability or instability of the two.

Mr. VOORHIS. You arbitrarily take whatever level they were between 1910 and 1914 and you call that 100?

Mr. SCHULTZ. That is right.

Mr. VOORHIS. And then you show the variations from that point, regardless of whether that relationship was equitable and desirable?

Mr. SCHULTZ. That is right. I am not addressing myself to the level of the farm income as such, which is very important and which you do consider in many other problems. I am addressing myself specifically, as you just said, Mr. Voorhis, to the movement—up and down.

Mr. HOPE. Are you going to discuss later on, Dr. Schultz, the respective influences of prices and crop yields in determining those fluctuations?

Mr. SCHULTZ. Yes; not as fully as I think your question suggests, but I shall comment on it in several regards, and then I wish you would come back and probe further if I have not been complete.

Let me turn next, then, to the causes, which is essentially the point you have already referred to, Mr. Hope. I divide the causes into two groups; those that have their origin in the fluctuations in agricultural production, and those that arise from fluctuations in demand. Here, we have two convenient categories in analyzing what it is that makes this movement of farm income so erratic.

FLUCTUATIONS IN PRODUCTION

As to agricultural production the most significant fact is this: Agricultural production taken as a whole in the United States, with its varied climates and regions and types of farming, when added all together is very steady from year to year. It is remarkably steady.

This steadiness benefits not only the consumer, but also other parts of the economy. This steadiness of agriculture is one of the great assets of the American economy.

Mr. VOORHIS. Which would be in striking contrast, would it not, with the widely fluctuating curve of production of industrial goods?

Mr. SCHULTZ. That is right. I myself have been struck, as I have studied these figures, to find that even drought years like 1934 when we had an unprecedented drought, as you well know, the index of total agricultural production dropped only 3 points, from 96 to 93.

Now, in this steadiness we have, the American consumer has, all people dependent upon this total agricultural volume have, a safety that few countries enjoy. Take Argentina by contrast, or Canada, or Australia; our agriculture—and again I repeat—is a very great asset to the economy as a whole, because taken in the aggregate it is so very even in its annual production.

When you look underneath these aggregate figures and look at an individual farmer you find, of course, that there is a problem on the production side, but distinguish that, as I think one must, from the aggregate for this country as a whole.

The CHAIRMAN. Do you think that is due—if this is a proper point to ask the question—to the great variation in climatic conditions in our country, which makes it possible for us to have that steady flow?

Mr. SCHULTZ. That is right. There are many compensating features in our agricultural production that tend to bring this about—the varied types of farming area, and it is most striking indeed, really, when you look at what happens in a drought year—when we are being hit very, very hard by crop losses. One of the compensating features is in livestock; we reduce our inventories by marketing a little more when feeds get short. In time of drought the only people in America who really suffer are the farmers who experience the crop failure. They suffer primarily in terms of incomes.

Mr. VOORHIS. May I ask one question on the point that Mr. Zimmerman just raised? Wouldn't an equally important factor with the diversity of climatic conditions be that agriculture today is still an individualistic industry and one that is still highly competitive, and that farmers produce, by and large, all they can produce regardless of price level, or anything else?

Mr. SCHULTZ. Yes. You have anticipated one very important point I want to make, and I will make it by accepting just what you said. Agriculture stays at the job, namely, in field production, whether you have booms or depressions. The agricultural production effort stays very constant, with the exception of the use of fertilizer.

Let me say a word about individual products. Take again, from 1933 to 1934, the index dropped from 96 to 93. Feed was cut in half. It dropped from 82 to 41.

Mr. VOORHIS. When was that?

Mr. SCHULTZ. That was in the drought year in 1934; from 1933 to 1934. Now, as we look at individual crops and farmers dependent upon particular crops, they go up and down, and the farmers producing those crops may be hit very hard.

Mr. HOPE. Please let me ask a question right here. When you speak of production you are referring to the quantity, as far as livestock is concerned, which was marketed that year. You spoke awhile

ago about there being a compensation as far as production is concerned; when we had a poor feed year we had more livestock marketed. When you are talking about production of livestock in that connection, you are referring to the amount that is marketed, or are you not?

Mr. SCHULTZ. The agricultural production index of the U. S. D. A. happens to be that way. In terms of crops, it measures the physical quantity produced, as estimated by the Department of Agriculture; in terms of livestock it measures the volume that moves into trade channels. If you want to criticize the index, it does not allow for changes in stocks and inventories.

PRODUCTION FLUCTUATIONS BY REGIONS

In the case of a region, this problem of production fluctuations becomes very serious, for instance in the Plains States, it is one of the serious problems of that area, and just to take two sets of four States and make this explicit—I am not looking at any particular year now, which would show up much more sharply for example, if I took one of the drought years—but let me give you 3-year averages.

First, let me take Ohio, Indiana, Illinois, and Iowa, the four States in the heart of the Corn Belt, and then take 3 years, 1928 to 1930. Then, let me take the average annual production of feed, all feed—corn, oats, barley, soybeans, and hay—and convert it, as we do in our farm-management studies, into corn equivalent with one feed unit equal to one bushel of corn. These four States produced 1,600,000,000 units of feed per year in 1928–30; and, 10 years later, 1938–40, another 3-year period, they produced an annual average of 1,900,000,000 units of feed.

Mr. VOORHIS. How much was it in the other period?

Mr. SCHULTZ. One billion six hundred million feed units a year in 1928–30 compared to one billion nine hundred million feed units in 1938–40, or a 17 percent increase. Parenthetically, this occurred while the A. A. A. was supposedly really holding corn in check. That is not relevant to the income problem before us, but it is a fact, one to carry in mind when considering the heart of the Corn Belt. Now, let us look what the droughts were doing a little farther west. Take four important States that were suffering from adverse weather and its production effects—South Dakota, Nebraska, Kansas, and Missouri. They produced almost as much feed, 1,433,000,000 feed units, in the first period, 1928 to 1930, per year. Ten years later, 1938 to 1940 they produced 950,000,000 on the average, which is 33 percent less than in 1928–30.

The droughts of the thirties were over. We were moving into good years by 1938, 1939, 1940, and yet that area, even in that period of recovery, was still one-third below its earlier output in feed units, while the four Corn Belt States made a gain of 17 percent.

What I am really leading up to is this: When one addresses himself to the effects of fluctuations in production on farm incomes, it is essential to analyze each type of farming; you have to get right back to individual farmers. The problem lies there, by products, by regions, to farms. You cannot deal with it in the mass, in large regional or national averages.

Mr. VOORHIS. I am not sure whether this is right or not, but are you making a very effective argument for the possibility of crop insur-

ance being used to iron out some of those differences? I mean, if total production throughout the country is relatively stable, but if the impact of changes in production rates is very serious for individual farming, then is crop insurance a means of trying to soften the impact on the individual farmer?

MR. SCHULTZ. I want to comment on that, if I may, a bit later.

MR. VOORHIS. I will be very glad to wait if you want me to.

MR. SCHULTZ. Let me indicate my answer now. There is in the principle of crop insurance a considerable measure of remedy for some aspects of this income problem, by crops, by regions in the United States. I shall elaborate on this later.

One other fact is important here, when we look at production, and that is, going back now to national production—which does not really help the individual farmer who has lost his crop or who has a big crop—if we had a steady demand all along, then the elasticity of the demand itself is a compensating factor for fluctuations in production.

ELASTICITY OF THE DEMAND

The economist defines unit elasticity as a demand when the amount sold increases 10 percent, the price drops 10 percent, and you get exactly the same income. Conversely, if the crop is short, the price rises proportionally and you get the same income.

Now, therefore, this principle: the closer the demand for agricultural products as a whole is to unity, the more stable the income from farming, despite fluctuations in production. This characteristic of the demand does not necessarily benefit the individual farmer who has a crop failure, it applies mainly to agriculture taken as a whole.

The Corn Belt obviously benefited from the droughts to the west in the thirties, so within agriculture the income problem remains, for some gain and others lose when droughts strike and agricultural production fluctuates by product and by regions.

THE CHAIRMAN. I would like to ask a question, Doctor. It aroused my curiosity. Why did the Western States that had been so severely affected by the drought not come back or recover in their production? Wouldn't it be an incentive for them to do that? You see, they fell off 33½ percent in their production of feed and crops, while the essential corn-producing States increased 17 percent. Now, just why would a situation like that obtain, in your opinion? I would just like to know.

MR. SCHULTZ. Well, it is complicated by many forces, and Congressman Hope is closer to this problem than I am, although I was reared in that region and know it from personal experience.

Let me illustrate with Nebraska. Nebraska did not really recover in corn until the last year or two. Things kept going wrong. They had no reserve moisture and the hot winds came even after good rains during most of the season, and Nebraska remained far below its former level of production. So, in a sense, the drought years, so far as statistics show, had long after-effects.

THE CHAIRMAN. It is like a man who has imbibed too long and has been on a spree. The hang-over is with him and they were suffering from the hang-over of the drought; is that it?

MR. SCHULTZ. That might be used as an analogy.

MR. VOORHIS. Doctor, will you go on about that last statement you made about demand?

Mr. SCHULTZ. Yes. I just want to say, Mr. Voorhis, that as the demand becomes more inelastic—elasticity less than unity; take potatoes as an example—then you get instability in income. Small crops bring the big incomes and large crops bring the small incomes. Conversely, when the demand has an elasticity that is greater than unity then the large crops bring in the big incomes and the small crops fetch the smaller incomes.

The demand for farm products, as a whole, fortunately again, tends to be around unity; it tends to be close to unity.

Mr. VOORHIS. What tends to be?

Mr. SCHULTZ. The demand for farm products as a whole. Let me illustrate: If business did not fluctuate and let us suppose our income payments were 150 billion each year for 10 years and agricultural production varied from year to year, then it would follow that the income from all agricultural products taken as a whole would tend to be about the same each year. This characteristic of the demand for farm products cannot express itself because our national income has been very erratic.

Mr. VOORHIS. But wouldn't you maintain then that if that condition pertained then you would get compensating variations in particular products?

Mr. SCHULTZ. That is right.

Mr. VOORHIS. Operating in cases where certain types of agricultural production fell, which would help out the farmer in a situation of that kind?

Mr. SCHULTZ. That is right.

Mr. VOORHIS. That was your inverse point?

Mr. SCHULTZ. If agricultural production were distributed equally among all farmers, this characteristic of the demand would be very important.

Mr. VOORHIS. And if demand were constant and high?

Mr. SCHULTZ. That is right.

Mr. VOORHIS. And, of course, it isn't.

Mr. SCHULTZ. That is right.

FLUCTUATIONS IN THE DEMAND FOR FARM PRODUCTS

Now, I want to turn to the fluctuations of demand, and here I want to say that the farm problem in the United States from the standpoint of instability of income from farming is primarily and overwhelmingly—in terms of the history of the last 30 years—caused by fluctuations in the demand. These fluctuations in the demand for farm products have arisen from the rise and fall of the business. The problem does not originate within agriculture. Actually the chart above measures nothing more than the fluctuation in demand for farm products, because agricultural production through that period, taken as a whole, was very steady. So the primary variable, the real variable, has been the extreme erratic behavior of the rest of our economy, the urban-industrial economy.

Mr. HOPE. You do not happen to have a chart which shows production during this same period, do you?

Mr. SCHULTZ. I do not have.

The CHAIRMAN. There is one question I would like to ask as to that at this point. I notice there about 1932, according to your chart, a very

sharp decline in farm income, a great deal more in the income of non-farm groups. Now, if the price since the production remains constant, more or less, as you say, that is fundamental. Production is rather constant, and has been.

Mr. SCHULTZ. That is right.

The CHAIRMAN. How do you account for that radical drop in farm income in contrast? There is a drop but not so great a drop in nonfarm income. Why is that variation?

Mr. SCHULTZ. Nonagricultural production went down. This gets us into the behavior of the rest of the economy. In the agricultural economy, where production stayed constant, price became the variable, and agriculture suffered severely.

Agriculture has become increasingly vulnerable as it has become dependent on the exchange system, in income obtained from the sales of crops and livestock. The erratic behavior of the industrial-urban economy is playing havoc with farmer's income. Farmers go on with their production, selling, by and large, through markets which are very sensitive and competitive, and these transmit to farm people the erratic behavior of the rest of the economy. What you really have here is simply a measure of that vulnerability of agriculture.

Mr. VOORHIS. If you charted on that same chart a graph of the volume of money in circulation, wouldn't it parallel very closely the change in farm income?

Mr. SCHULZ. I haven't done that.

Mr. VOORHIS. I mean the rise and fall of money in circulation.

Mr. SCHULZ. Money and credits?

Mr. VOORHIS. By money, you mean both cash and credit money?

Mr. SCHULZ. Yes. I would certainly infer that would be true. There are others here who may have actually measured the relationship.

Mr. VOORHIS. The sharpest decline is from 1929 to 1932. Where is the remedy?

Mr. SCHULZ. The main remedy to the erratic performance of the industrial-urban economy lies in monetary-fiscal reforms.

Mr. VOORHIS. But isn't agriculture much more sensitive to changes of money in circulation?

Mr. SCHULZ. That is right.

Mr. VOORHIS. Partly because they are about the only producers subject to free prices.

Mr. SCHULZ. They have been freer, more open, as you infer.

Mr. COLMER. Mr. Chairman, while we are interrupting, obviously, then, the problem is to try to prevent the drop in agricultural products; at least, to be consistent with nonagricultural products.

Mr. SCHULZ. You anticipate the answer, and I myself hesitate, because I am really trying to state the dimensions of the problem. I want to share with you in a minute what I think can be done. If you agree with me at this point that this instability of farm income has become an unbearable problem to the agricultural economy, I feel I have established a point that is very much in need of careful thought and legislative action.

Mr. COLMER. I may have anticipated you in arriving at the problem. I certainly have not anticipated you in answering the problem.

Mr. SCHULTZ. Here is a table, Mr. Colmer. That table restates the movements in income by the cycle. I have taken the periods which represent the cycle. If, for example, you take the period of 1921 to 1929, or 1932 to 1934, you see the greater percentage rise and fall.

TABLE 3.—*Cyclical movements in per capita farm and nonfarm income*

Per capita net income of persons on farms ¹		Per capita net income of persons not on farms ²	
Period	Percentage change from first to last year of period	Period	Percentage change from first to last year of period
1911-19.....	+160	1911-20.....	+88
1919-21.....	-62	1920-22.....	-18
1921-29.....	+87	1922-29.....	+22
1929-32.....	-67	1929-33.....	-52
1932-37.....	+153	1933-37.....	+59
1937-38.....	-19	1937-38.....	-7
1938-43.....	+213	1938-43.....	+101

¹ Includes net income of farm operators from farming and wages of farm workers that live on farms; excludes Government payments.

² Includes net income from nonagricultural sources and net income from agriculture accruing to non-farm people.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Net Farm Income and Parity Report: 1943, and Summary for 1910-42, Washington, D. C., July 1944 (table 6, p. 12).

Now, with your permission, let me summarize: When business becomes prosperous and boom—as we look back—the farm income rose much more rapidly, fully twice as fast as the nonfarm income per head; then when business slumped and became depressed, the income from farming fell much more precipitously and decidedly further than the income of persons not on farms.

Now, that is the story that I have been trying to put and I have stated it there in one summary sentence.

Mr. VOORHIS. May I ask one further question on that point, Doctor?

Isn't this another contributing factor to the greater instability of farm income, that when prices to farmers fall sharply, the same degree of decline does not take place in the prices of processed food commodities to consumers?

Mr. SCHULTZ. That is right. The margin between stays relatively constant, and so the relative changes on the farm end are much greater, both rising and falling, than they are at the other end, retail end. That is a definite characteristic of our economy.

Mr. HOPE. And that, of course, to some degree prevents what might otherwise be an increase in consumption if prices went down to the consumer proportionately, you might expect some increase in consumption which you don't get if the price level to the consumer remains constant.

Mr. SCHULTZ. Which makes it harder and harder to solve the problem of moving supplies during a depression, and which is becoming a growing problem in our economy.

POLICY RECOMMENDATIONS

Now, gentlemen, with your permission, I turn to some ideas as to what principles should guide policy making?

This is in terms of long-run thinking, as you said, Mr. Zimmerman, at the outset. My comments are in terms of fluctuations in production and fluctuations in demand.

To lessen the instability in farm income caused by fluctuations in production, the first principle to tie to is to focus on the individual farms, on the type of farming area, by crops and by regions.

It is necessary to break away from national averages, because of the distinct interests the farmer has in his own production experience, as against the national compensating features of agricultural production as a whole.

The CHAIRMAN. Will you translate that? Just elaborate on that thought just a little more at this point.

Mr. SCHULTZ. It means specifically, in the case of the vulnerability of the farmer in South Dakota, Nebraska, or Kansas, growing wheat, you should go directly to farming areas concerned. It may be a fraction of a county, or it may be a number of counties. You cannot see a farmer's climatic hazard and his production problem, even in the statistics and the behavior of a single State. It is not Kansas as a whole, it is not Nebraska as a whole. It really means getting as close as possible to the individual farm as we can. We are concerned about farming; the climatic risk, and all that goes with it, which involves grasshoppers and pests of other sorts associated with climate by farms.

The CHAIRMAN. What you mean is this, if I understand you, that we have to find in these localities that are subject, we will say, to certain hazardous conditions, like drought and grasshopper infestation, and some other infestation——

Mr. SCHULTZ. That go along with drought; yes.

The CHAIRMAN. Some other crop that he can put in?

Mr. SCHULTZ. No; I have in mind here the problem of income in stability.

CROP INSURANCE

Mr. SCHULTZ. Crop insurance has a contribution to make, and the principle in crop insurance is this: It should, on the one hand, from the standpoint of society, incorporate the cost of the climatic risk into the parcel of land which is being insured, and, the benefits paid should protect the farmer's income over time from excessive instability.

Now, I hasten to add that in my judgment one shouldn't be too concerned whether all the risk are at once all borne by each parcel of land, provided we are sure that we were moving gradually to that particular point. That is going to take time. It may even take 50 years to find the precise, subtle relationships between premiums and benefits for each farm, for each parcel of farm land. The aim is to get each parcel of land, in the last analysis to bear in its value the cost of its climatic hazard, and you can't get that in large State-wide averages. It is necessary to get right down to townships and even smaller units.

I repeat again, that that is not for the short run, even for 5 or 10 years. It seems to me we should not be worried unduly if we don't

get the cost of crop insurance allotted perfectly at the outset, because if half of the cost is borne by the land itself, in the value of the land, you see, society has gained to the extent that it does not have to carry all of what might become relief costs, as it did in some States, North Dakota for example, in extremely bad years in the thirties.

Mr. HOPE. Right at that point, before you leave that, you have got another factor there. I do not take this off into crop insurance too much, but you have another factor there; if you are trying to base your premiums upon the risk on each individual tract of land, in the high-risk areas, at least, the human factor is almost as important, I think, as the climatic factor. You could take land which is farmed by tenants, particularly, and you have one tenant in one period who may be a poor farmer, and the risk will be very much higher, and you can take a good tenant and put him on the same land and by better cultivation and summer plowing, and that sort of thing, bring the risk way down. It seems to me that is one of the most difficult problems you have in regard to farm insurance.

Mr. SCHULTZ. In principle it is easy to handle, but in practice hard. You have to take account of management.

Mr. HOPE. That is one of the difficulties, that the good farmer feels his good farming practices are not reflected in the premium he has to pay.

Mr. SCHULTZ. Yes; that is very important.

Mr. HOPE. Which prevents your getting the volume you ought to have, and you cannot succeed without volume.

Mr. SCHULTZ. I agree fully with what you say, Congressman Hope.

Now, still looking at the production fluctuations, I do not want to claim too much for crop insurance before I leave that, but it has in it a principle, it seems to me, that we ought to apply.

STORAGE OF FEED GRAIN

Mr. SCHULTZ. The storage of grain, where livestock are produced, where the farmer gets his income from the sale of livestock and livestock products, the evenness of those sales, the flow of those products to market, depends upon his feed supply and feed is a storable product, particularly in concentrate forms, and it happens to be most storable in the very areas that are most affected by this erratic crop production.

The CHAIRMAN. At this point may I make this suggestion: We have five witnesses today, and our time is slipping by very rapidly. Maybe we better hear Dr. Schultz through and give him a chance to conclude as briefly as possible so we can hear these other witnesses.

Mr. HOPE. I take it Dr. Schultz will be available during the entire period of the hearings, and maybe we can go back to him.

Mr. ARTHUR. Dr. Schultz will be available to the committee. I have talked with him, and while he may not be in Chicago Monday and Tuesday, we will be able to talk with him further about the problems he raises.

Mr. COLMER. In that connection, Mr. Chairman, I do not understand we are going to cut him off, but we are going to permit him now to finish his statement with possibly fewer questions.

Mr. VOORHIS. What he means is that I am not supposed to ask so many questions.

The CHAIRMAN. No; it is a reminder of the fleeting time.

Mr. COLMER. In the interest of orderly procedure, I think it might be well for him to at least conclude his statement.

BETTER FARMING TECHNIQUES AND PRACTICES

Mr. SCHULTZ. Gentlemen, when we look at what principle should guide policy making, in the case of production adjustments, I think those principles are at least three. One, there is considerable merit in crop insurance. Two, there is a good deal, in the case of livestock farming in the storage of feed to even out the production of livestock products, particularly in the Plain States. Three, we should put emphasis on finding new practices and techniques to help farmers stabilize output; that is, the individual farmer. There has been considerable success in research in this sphere. Take a single example. In the case of corn, when we had a spring like that of 1944 with excessive rain—whenever we came into a spring like that in 5, 10 years or longer ago, we just came out with a short corn crop, because farmers didn't get their crop in on time. Now technology has changed that. Farmers with modern machinery and tractors managed to put in their corn in good enough condition and on time so that actually they harvested a bumper crop. This was largely due to the difference in what you could have done with horses and what you can now do with the modern machinery. It is just one little item of hundreds of tricks that farmers have introduced in production.

Congressman Hope referred to management in dry-land farming. In that there is a whole score of advances that may be very important, not in 1 year, not in 5 years, but when we look at direct aids I would not minimize it. I would give it a great deal of weight.

POLICY TO CORRECT FLUCTUATIONS IN DEMANDS

Now, on the demand side—and here I get onto controversial ground. I shall, however, state some judgments. I say this is a big problem. It is a primary problem when you look at agriculture as a whole, this erratic up and down of the demand for farm products caused by business fluctuations.

Question 1. Should we try to lessen the instability of farm income by making the production of agriculture a variable, that is, bring it down when the demand drops during a depression, and fetch it up when there is a boom in business and the demand increases?

My answer is categorically "No." It is an unsound approach. Instead, we should make agricultural production steadier, depressions or booms, rather than more variable.

The disease is in the rest of the economy. If we could once get the rest of the economy to do what agriculture is doing, stay on the job producing year after year, we would have a much healthier economy as a whole. The disease is not in agriculture. I do not propose that farmers continue to take the punishment they have taken on the income side. But I do say the way out is not in adjusting to this erratic demand by making the production of agriculture a variable.

Mr. COLMER. Before you leave that, if I may, either on or off the record, I take it you do not approve of the killing of the little pigs. Well, just forget it.

Mr. SCHULTZ. Let me say it this way, if you want to be more specific: Efforts at acreage controls, when it is to attain conservation, and when it can be tested in terms of conservation, I put that over here and say it may have much merit. When we use that technique, however, to adjust the supply or think we should adjust the supply down and up for booms and depressions, then I say we are on the wrong track. I do not want to condemn, in one breath, a whole series of activities, for some of these activities have been multipurposed. But when the purpose is to adjust production to fit this erratic demand, then I am crystal clear in what I mean to say.

The CHAIRMAN. At that point I would like to interpose one suggestion. I recall in 1936 and 1937 the Supreme Court lifted the restrictions on the production of cotton. We produced 19,000,000 bales of cotton, almost the world's supply in 1 year. Now, if we have unlimited production, we will say, of that product, which we don't need, we might have a serious problem, might we not?

Mr. SCHULTZ. Cotton being so peculiarly a problem that has so many facets I may beg to bypass it in this analysis of business fluctuations and agriculture.

Mr. VOORHIS. May I just bring this factor in with the one Mr. Zimmerman has enunciated, which I think is true. In the present period of very high demand for farm commodities of all sorts, when production restrictions were taken off on cotton, there wasn't more cotton produced, but actually less. Isn't that true?

Mr. SCHULTZ. That is right.

The CHAIRMAN. Don't you think the scarcity of labor, of men being in the fighting forces, had something to do with that?

Mr. VOORHIS. I think that had something to do with it, but the main thing I think is that the high demand and the good prices that could be obtained for other commodities had its effect.

Mr. SCHULTZ. Yes; competing uses of the resources plus the scarcity of one factor, that is right. They have both been operative.

Mr. VOORHIS. I don't think what I said is necessarily in conflict with what Mr. Zimmerman said. I think the two put together might lead to something.

Mr. SCHULTZ. Question No. 2—looking at the demand. Since agricultural production for the country as a whole tends to be exceedingly stable, should farm prices be maintained, that is, supported, to keep the income that farmers receive stable, despite the erratic fluctuations of demand? That is another way of approaching it. If production is steady and prices are steady, you obtain a steady income. That follows. Now to use support prices for this goal, again I say emphatically, "No." To do it that way simply means we will clog trade channels, both externally and internally.

We are trying to remedy the instability of income from farming caused by fluctuating demands, by a system of support prices, and they will clog trade. They will clog domestic trade and they will clog our foreign trade.

The CHAIRMAN. Might I interject a parenthesis at that point? For example, you would not invoke that principle during the war when there is, say, an acute demand for certain agricultural commodities, like flaxseed for the carrying on of the war program?

Mr. SCHULTZ. In pricing farm products to get production, and to do this, bring certainty to farmers' prices so that they can feel secure

in shifting, which is the alleged intent of our flaxseed program, is on another footing. It represents forward pricing and thereby reducing the price uncertainty that confronts farmers. It does not necessarily entail supporting given market prices.

What I am trying to say here is that I have misgivings, grave misgivings, about the theory that holds that the way to bring stability to farm income is through a system of support prices.

Mr. HOPE. Your chief reason for saying that is that that isn't the solution, the effect which such a program would have on the flow of the commodity in trade?

Mr. SCHULTZ. That is right.

SUBSIDIZED CONSUMPTION OF FOOD TO STABILIZE FARM INCOME

Now, in my outline you note that I say there is a third possibility, namely, programs to subsidize food consumption, and to have such programs geared to depressions and booms. When there are booms you quit them, and when there are depressions you open them up.

Now, I do not know what Dr. Black will say, who is to appear before you. He has given much thought to this issue. But my tentative judgment is that nutrition and adequate diets should be the governing criteria of such programs, and not the booms and depressions of business. Such programs should be based on the needs of our population in terms of diets, whether they are adequate or not adequate. They should facilitate better diets. To do this they should not be geared to depressions and booms.

The nutritionists have an important point. They believe we may endanger the real merit of these consumption programs by tying them too much to booms and depressions instead of to nutrition. This is again in principle. When you apply it you have to take account of certain qualifications.

Mr. HOPE. You wouldn't apply it either, I take it, to the problem of getting rid of agricultural surpluses. The reason I mentioned that is that in the past the stamp plan has been based entirely on the availability of surpluses.

Mr. SCHULTZ. I would not base a stamp plan on surpluses but on nutrition.

Mr. HOPE. And the need for getting rid of surpluses.

Mr. SCHULTZ. I would be reluctant to tie the food stamp plan solely to surpluses.

Mr. HOPE. The school-lunch program has been very largely dependent upon the food that was available that was surplus items.

Mr. VOORHIS. Except, Dr. Schultz, in time of depression the nutritional situation among the great mass of people is likely to be much more serious than in times of relative prosperity.

Mr. SCHULTZ. When you look at it from that point of view, they converge to some extent but less than is commonly supposed.

Mr. VOORHIS. You might get a convergence of two desirable elements.

Mr. SCHULTZ. I think there is less convergence than is usually supposed. I have a fear that increasingly we will get vested interests who want the stamp plan to benefit their products without really taking account of nutrition. When they converge, my argument disappears, but I am increasingly concerned that they do not converge as much as we thought 4 or 5 years ago.

Mr. VOORHIS. What I am trying to say, isn't one valid argument for such program the reason for supposing they will converge.

COMPENSATORY INCOME PAYMENTS TO FARMERS

Mr. SCHULTZ. Now, let me recapitulate my analysis up to this point: In an effort to lessen the instability of income from farming I would not employ agricultural production controls; that is, make production a variable; nor would I use price supports to keep farm prices up during a depression; nor would I rest on programs that subsidize foods; but instead of these approaches I would go directly to what I call compensatory income payments to farmers during a depression. Meanwhile, I would keep agricultural production at a high level and steady; I would let market prices essentially free to clear all of the production; and I would subsidize foods to consumers according to criteria based on nutrition.

In principle we ought to strive to get agricultural production even steadier, depression or no depression. We ought to let market prices clear internally and externally the volume of farm products that are produced and sold. We ought to make diets better both during booms and depressions. Then, how can we stabilize farm incomes? I would say when unemployment goes beyond a given figure, say two million, and farm prices go down, then make up the difference by means of Government payments until unemployment is reduced to 2,000,000 or less.

The CHAIRMAN. Who is going to make up that difference?

Mr. SCHULTZ. These compensatory payments will have to come from the Government. Compensatory payments will be a counter-cycle in their effects.

The real remedy lies in lessening business fluctuations. We have to get at our urban-industrial economy, and put it on an even keel. But until this is accomplished farmers cannot continue to stand the instability in income this causes. They won't take it. I do not see why our society can expect them to, because they are performing their production job, from the cycle point of view, much better than is industry. They are staying at the job. Let us keep them at the job and make their output as steady as possible. Let prices channelize the products of our farms wherever they will be used for the income can be safeguarded by compensatory payments.

The CHAIRMAN. What would you call that, the money you are going to make up the difference now, in one of these unfortunate periods? What are you going to call that? Let us name that now.

Mr. SCHULTZ. I am calling it compensatory income payments, and I use the word "compensatory" merely to give the payments their counter-cycle emphasis, thus tying them back into the industrial economy. When the industrial economy is going at high gear, there is little unemployment, and no payments to farmers; and conversely, when the industrial economy is performing at a low level of production.

The CHAIRMAN. When we start to make a slate on this question, things are given names that are used whether correctly or incorrectly, and I mean such things as subsidies. A lot of people think they are opposed to all forms of Government subsidy. Would this be a subsidy?

Mr. SCHULTZ. Well, it is a subsidy in the sense that the market price during a depression will not provide a price high enough to keep the income from farming from dropping sharply.

The CHAIRMAN. Yes, that is correct.

Mr. SCHULTZ. One may call these payments a subsidy or a grants-in-aid, or, as I prefer, compensatory income payments as a part of fiscal-monetary policy because they do help counteract the cycle. This proposal for compensatory income payments to farmers fits in with monetary-fiscal thinking, it is consistent with the growing body of thought in that field.

I am worried about names, too, because it is very serious when one considers the emotional connotation that certain words carry.

Mr. VOORHIS. I think we are right up against the fundamental problem here that is confronting us and I cannot fail to bring it up. If you are going to make these compensatory payments, are you going to make them on a crop basis, or how, and if you do that, then aren't you up against whether you are going to have some degree of crop control in order to make certain that those compensatory payments are made primarily on the products that go into American markets or are you going to make them freely on all that the farmer as a whole chooses to produce, including the commodities that flow into the world markets?

Mr. SCHULTZ. I would apply this proposal both to products sold domestically and abroad when a depression strikes. To illustrate procedure, suppose hogs were selling at \$9, when unemployment reached 2,000,000 or more. Then, and from then on out, farmers would receive \$9 for hogs until the depression was over, no matter how many they produced whether they are exported or used domestically, stays the same.

But there would be no incentive to shift from hogs to some other commodity. The price of hogs might go down to \$6 yet the difference between \$9 and \$6 is to be made up during that period. The same would be true of other farm products. Then, just as soon as unemployment dropped to two million or less, the market price of hogs and other farm products would govern again.

Mr. VOORHIS. And the same principle would apply to cotton and to wheat?

Mr. SCHULTZ. Yes, all other products.

Mr. VOORHIS. And you are going to make a lot of payments on stuff moving into the world markets, isn't that correct?

Mr. SCHULTZ. That is right. I have taken this up quite in detail with regard to the Canadian economy, and it makes more sense in the Canadian economy than in some other situations. I don't want to get into a complicated trade analysis here, but I assure you in terms of the effect on balance of payments it will benefit the economy taking the action.

Mr. VOORHIS. But you are going to be asking for money from Congress in order to subsidize American production that does not benefit American consumers, isn't that correct?

Mr. SCHULTZ. Not necessarily so.

Mr. VOORHIS. And you are putting no limit on that degree, are you?

Mr. SCHULTZ. Well, the price of cotton and wheat stays the same relative to corn and hogs, we will say, and in that case there is no incentive for the farmer to shift to export crops.

Mr. VOORHIS. I am wondering if there should not be an incentive for him to shift to some other crops, that is, some crops needed in greater volume domestically?

Mr. SCHULTZ. We would produce the same as before, which is an important point all the way through.

Mr. HOPE. Your idea there is to have them shift to some domestic crops which they are not now producing, and that there should be an incentive for them to shift from export crops to one of those crops?

Mr. VOORHIS. That is correct; the commodities that go into world markets.

Mr. SCHULTZ. Now, you are introducing a new factor that I am not considering, and if I were to take that into consideration, I would come up exactly where you have, Mr. Voorhis. However, I am looking at pricing now in the sense of getting the resources into the right enterprises. For the moment, I am looking only at it in terms of income effects, and abstracting from the problem that you are raising.

Mr. VOORHIS. I am sorry.

Mr. SCHULTZ. Not at all, but I do want to take account of it later.

Mr. COLMER. Before we leave this, I would like to ask a question. This may be a bit too realistic, but have you taken into account the cost of such a system to the Government?

Mr. SCHULTZ. Yes; the cost would be very large during a severe depression, and it should be very large as it would compensate the economy, and it would protect agriculture. Yes, it would run to a very large figure. I believe there is no escape from that fact.

Mr. COLMER. However, I assume you don't have any specific figures, but how would that compare with the present cost of Government subsidies, speaking in general terms?

Mr. SCHULTZ. I have not worked on that in any systematic sense as yet and I would not want to guess. I would say this: That in the end, my judgment, is you would have a procedure which is constantly preserving what is good in agriculture and at the same time helping the rest of the economy out.

What we do now, in large measure, is to upset agriculture when the origin of the problem of income instability from farming rests in our urban-industrial economy, and not in agriculture for it stays at the job producing.

Mr. COLMER. I understand that.

Mr. SCHULTZ. As to the relative cost—the question you put to me specifically—I cannot answer that because I have not done any systematic figuring.

Mr. COLMER. Of course, when it comes again to the question of practical legislation, that would be an item that would have to be considered and especially in a post-war era where we would be confronted possibly with a national debt of maybe 300 billion.

Mr. SCHULTZ. Well, let me just repeat my conclusions because I accept all of your concern there, Mr. Colmer. I am saying that the first line of defense in this problem is getting our industrial-urban economy to perform at full gear, and stay there. The farmers have a tremendous stake in that. We have not done it. That is what is upsetting agriculture.

Mr. COLMER. But you will pardon me again, please. Maybe I am all wrong about it, but being realistic again, it seems to me that that is a question that would have to be considered.

Mr. SCHULTZ. Yes; you mean the financial side?

Mr. COLMER. Yes; if we were going to adopt such a policy.

Mr. SCHULTZ. I agree with you fully, without any reservations, and that remains to be determined certainly.

Mr. HOPE. Before you leave that point, I would like to ask you a question. You have not said, or I did not understand you to say that you suggested any level at which you would base these compensatory payments, and that would have a lot to do with the cost. Now, all the talk we have had on that in Congress during the last 3 or 4 years about the pork prices has been based on a certain percentage of parity.

Mr. SCHULTZ. That is correct.

Mr. HOPE. Now, I think you are not using parity as a base of your calculations, are you?

Mr. SCHULTZ. No; I am not. Public policy should determine how far you are going to hold farm income up. I don't see why you should hold it at 100 percent of the pre-depression level. You may want to stop it at 85 percent of the pre-depression level. It went to 33 percent in the depression of the 'thirties. You cannot afford to let it drop that far again.

Mr. VOORHIS. I thought you had a base and I thought you said whatever the price actually was at the time unemployment passed the measure.

Mr. SCHULTZ. Yes; to illustrate procedure I used 2,000,000 unemployed. The 2,000,000 line for unemployment is an arbitrary figure. My guess is that about 3,000,000 unemployed in peacetime after the war would show a drop of at least 15 percent in farm prices. As a matter of public policy you would try to determine at what point you would decide to hold the income, whether it is 85 percent of the full employment level or 90 percent or 75 percent, or some other figure.

Now, that is the main factor in cost. It is extremely important. You cannot let it go down to 33 percent again as we did in the early thirties, however.

In this proposal of compensatory income payments you have a procedure that does not upset agriculture, but helps agriculture stay at the job better, and at the same time channels farm products into markets and consumption both at home and abroad. Finally these payments are very important in monetary-fiscal policy for they are counter cycle. The payments should be timed right and they should come when we need to stimulate our economy and stop when the economy gets into full gear.

Now, I would suggest, since I have taken so much time on No. 1, The Problem of Instability of Income From Farming in order to facilitate your program, that I pass by what I wanted to say, which is quite long on points 2 and 4 in the outline and see whether or not it will fit into your program alter.

No. 2 is the question of level of earnings of the farm people where they are so low. How can they be brought up? We have to look at this on the basis of 10 to 15 years. Then, the last thing is the pricing problem.

Mr. HOPE. Sometime in the course of this hearing, I would like to have Dr. Schultz go into that.

Mr. SCHULTZ. I must be away Monday and Tuesday, because I have to be in Washington. However, I will leave it to you to decide when I am to appear again.

Mr. HOPE. I assume even if we do not get it on this trip, we can get it later in Washington, perhaps; is that correct?

Mr. SCHULTZ. I will be very happy to do that.

Mr. HOPE. I think we should go into it because it is very important.

Mr. SCHULTZ. However, let me give way now, so that you can proceed.

The CHAIRMAN. We will do our best now to develop the thought that you have in mind, Mr. Hope.

Mr. SCHULTZ. Thank you very much for your courtesy.

Mr. VOORHIS. You don't want to give us your answers on 2 and 4, do you?

Mr. SCHULTZ. I would rather not, because I think they would sound very brash, because I do come out quite differently from where we have been in the ground that we have covered.

The CHAIRMAN. Do you object to working some evening?

Mr. SCHULTZ. Not at all. I would be very happy. I will leave that to you, Mr. Chairman. I am at your call.

The CHAIRMAN. We appreciate your presence and your very informative statement.

We will now hear from Prof. L. J. Norton, professor of agricultural economics of the University of Illinois, who has consented to come here and discuss some of these questions that we are interested in today.

TESTIMONY OF L. J. NORTON, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF ILLINOIS

Mr. NORTON. Mr. Chairman and gentlemen: I would like to say at the outset, any time you want to cut me off, it is quite all right because what few ideas I have had time to crystallize, I have put in a mimeographed statement, and it will be available for anybody to read.

The CHAIRMAN. I am sure the committee would like to have it. (The statement requested is as follows:)

STATEMENT BY L. J. NORTON, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF ILLINOIS

A. A certain degree of flexibility and instability is desirable in a dynamic and progressive society. Canals replaced some teamsters; railroads largely replaced canals; trucks cut into the business of railroads; automotive power replaced horses and reduced the requirements for blacksmiths, timothy hay, and oats; rayon is cutting into cotton; machines replaced men.

New industries, processes, and firms often rise at the expense of older industries or firms. This process cannot and should not be stopped.

B. Over-all instability in income would be reduced by—

1. Maintaining reasonable stability in the general level of prices, chiefly through monetary and credit controls. We should not consciously deflate.

2. Avoiding excessive credit creation and speculation in good times.

3. Maintaining adequate flexibility in prices and wage rates to permit rapid adjustments to changing conditions.

4. Maintaining controls over prices and wages in wartime in order to limit the extent of post-war adjustments. To the degree that you avoid inflation, you make deflation unnecessary.

5. Establishing and maintaining conditions which stimulate venture capital to create new enterprises. Tax policies are of primary importance in this connection.

6. Establishing and maintaining conditions which stimulate the greatest freedom of both internal and foreign trade.

7. Pursuing diligently and forcefully an intelligent foreign policy looking toward a long-sustained peace, the expansion of needed world trade, and the financing on long terms of self-liquidating enterprises throughout the world.

8. Establishing and following an intelligent, long-run Government policy of investing in capital improvements of types contributing to the well-being of the country and its development: roads, health facilities, schools, waterways, forests. These investments should be so timed as to expand capital outlays in depressions and to contract them in prosperity.

C. To place agriculture on long-run self-sustaining basis.

1. Maintain a reasonably high level of national income. The first essential for a good farm income is a good market.

2. Establish and carry out workable policies for exporting surplus products. This involves (1) competitive prices; (2) playing the game required of a creditor nation by freely importing needed items and making intelligent long-time, self-liquidating investments.

3. Support by Government of soil conservation on an adequate basis. The entire Nation has a vital long-run interest in doing this.

4. Support adequately programs for agricultural education and development. Working farmers need vigorous and scientifically trained leadership in periods of developing technology and adjustment.

5. Eliminate present high level price supports, subsidies, etc., at earliest possible dates that are economically and legally feasible. If continued, these will lead to (a) a tremendous drain on Treasury; (b) the accumulation of huge, burdensome, unneeded surplus stocks which will act as a dead weight to hold down prices; (c) incomes from staple crops which will vary more from year to year with fixed prices than they will if prices are permitted to vary; (d) the delaying of needed adjustments in production.

6. Confine Government price supports to emergencies (in peacetimes). The objective should be to establish a minimum below which prices or incomes are not permitted to go rather than to maintain a high level.

7. If parity is to be used as a guide to price supports of individual commodities, some more realistic and up-to-date system of parity prices, which recognizes present cost and demand relationships, must be worked out and adopted. A group of competent students of farm price and cost relationships should be assembled to make recommendations.

8. Establish adequate educational facilities in rural areas, which give an even break to rural youth when they go from areas of surplus population to seek urban jobs.

D. In connection with higher level consumption and nutrition the following points are noted:

1. High-level consumption and nutrition depend on availability of food, income, habits, and education.

2. A high-level national income with reasonably complete employment is needed to provide the economic basis for high-level consumption.

3. Agriculture should maintain adequate production of needed foods to permit high-level consumption. Food cannot be eaten unless it is available.

4. All foods should be priced competitively.

5. All kinds of low-cost systems of food distribution should be encouraged. High-cost service systems will also flourish in a high-income economy, and these should not be discouraged in any way.

6. Educational programs to acquaint all people with desirable dietary standards should be carried on.

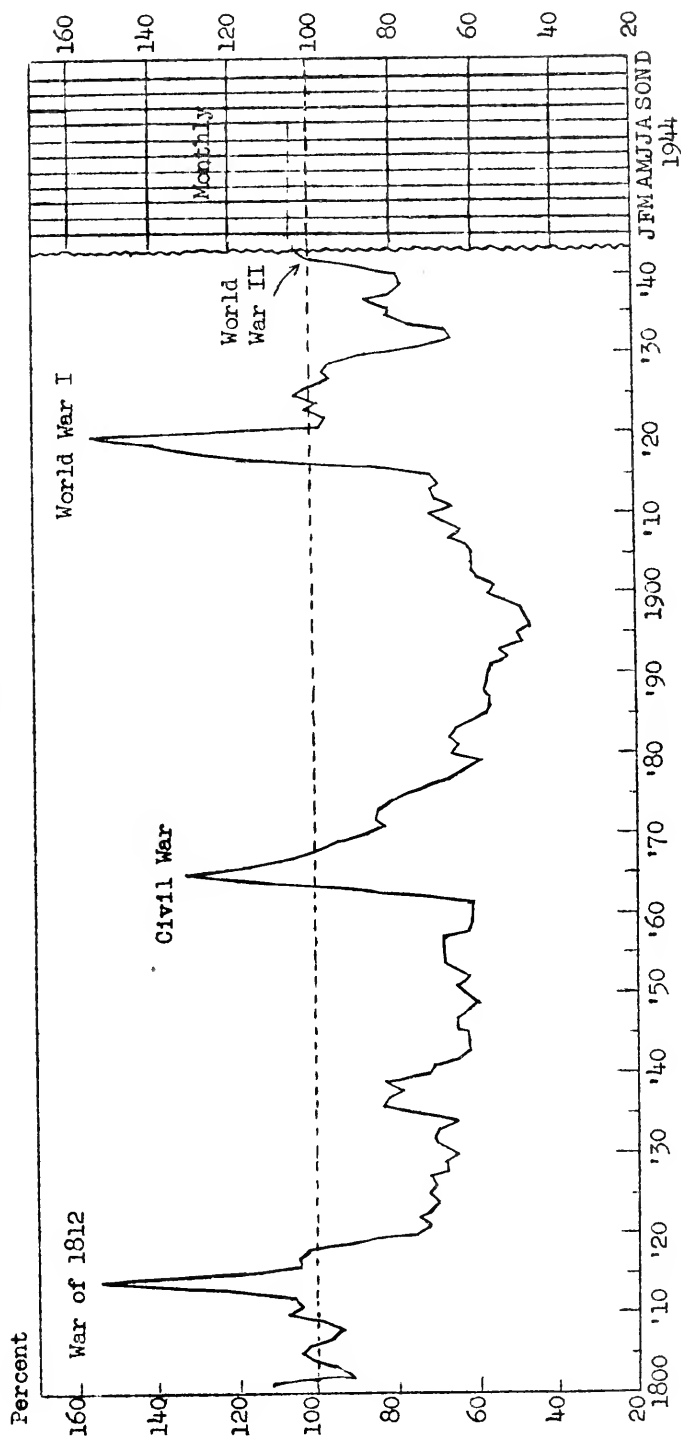
7. School-lunch programs on self-sustaining basis except in needy cases are desirable.

8. Food-stamp plan, with emphasis on nutrition rather than on disposal of surplus products, should be revived if widespread unemployment persists for any considerable length of time.

E. Foreign trade policies have been discussed above.

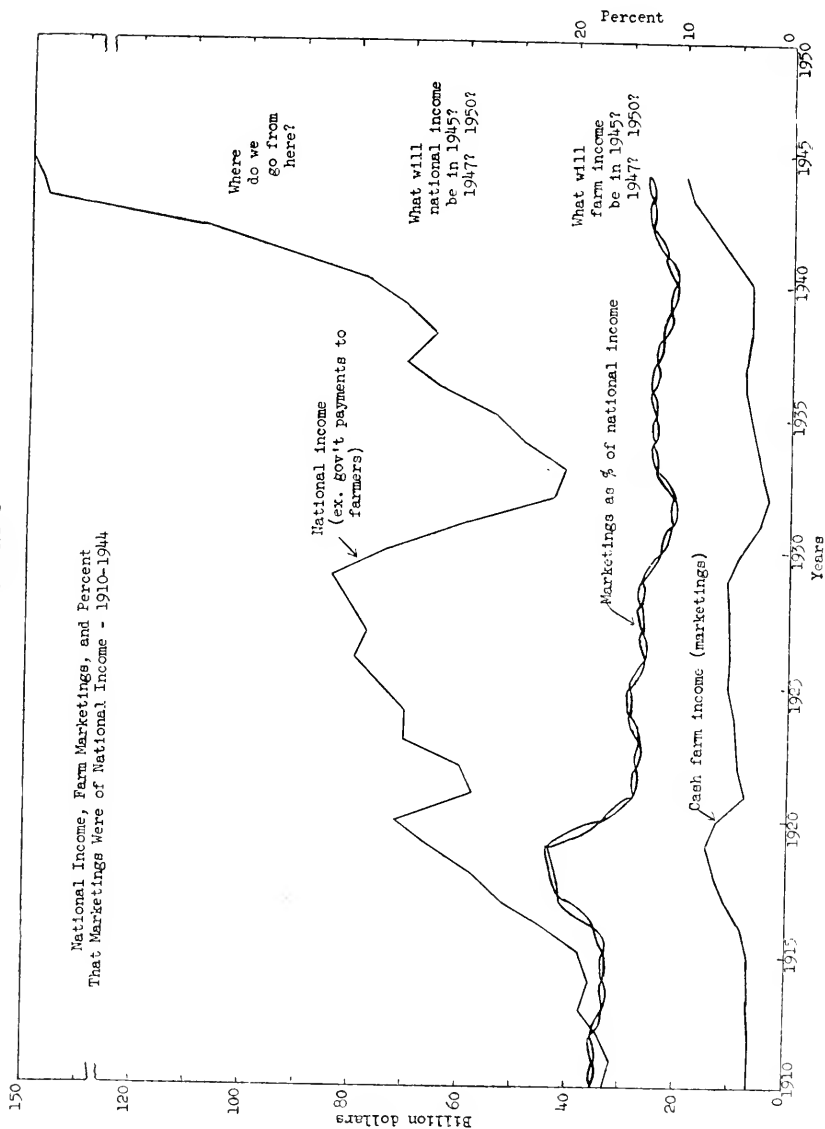
Foreign trade is desirable in order (a) to acquire needed goods not available in this country at all or in inadequate quantities; (b) to employ people in our export industries; (c) to help maintain peace by aiding people in other countries to make a living; (d) to aid investment of a portion of our surplus capital. If promoted on a sound basis, foreign trade will aid in maintaining and raising our standard of living. To encourage such trade we must price goods competitively, be a good customer, do intelligent financing, and build up adequate sales and service organizations. The volume of our foreign trade (imports) will depend in large measure on how good a job we do in maintaining our domestic income because our imports are so largely raw materials and their volume will depend on the state of business in this country.

CHART 1.—WHOLESALE PRICES OF ALL COMMODITIES, UNITED STATES, 1801 TO DATE
[Index 1926=100]



Source of data: Illinois Farm Economics.

CHART 5



The CHAIRMAN. Just a moment, Mr. Norton. Mr. Schultz, could you furnish copies for all of the members of the committee of your mimeographed statement which you gave to three of us?

Mr. SCHULTZ. It will take a couple of days.

The CHAIRMAN. That is all right. I only wish to have it before the hearing closes. I think the other members would all like to have the statement for their individual files.

Mr. SCHULTZ. I will be glad to do that.

Mr. NORTON. I would like to say this first: I own a farm and get some of my income from it, and I think that the income from the farm will be more dependent upon the over-all economic situation than on any specific actions by the Federal Government with respect to agriculture.

Now, I don't mean to infer that many of the policies of the Federal Government may not have much to do with the over-all economic picture, and therefore with farm income, but it seems to me that some of the over-all things are more important from the standpoint of farm income than are the specific aids to agriculture, if I may use that term.

That may be erroneous thinking on my part, but that happens to be my belief. I approached each of the committee's questions on that basis, and I have set down here some general ideas without very much supporting evidence. Maybe you will say that I merely gave you my opinions, but these were the things that I would want to look at under the various headings, if I was responsible for national legislation.

In the first place, I would like to point out that I believe a certain degree of flexibility and even instability is desirable in any dynamic society. New things come along and they replace old things, and are upsetting to the people in the old lines. But I do not think we can avoid that, and I don't think we should try to do so.

Getting into this question specifically, I would like to say first, in regard to the over-all stability in income, that maintaining reasonable stability in the general level of prices, chiefly through monetary and credit controls, is very important. Now, it is not my purpose to discuss those points because I am not an expert on them. However, I believe that a considerable part of the instability of income to agriculture and in the general economic structure is due to the major fluctuations in our price levels.

Therefore, it seems to me that they are most important.

Mr. VOORHIS. I want to ask you about your statement there to the effect that we should not consciously deflate.

First of all, do you mean we should not ever consciously deflate? I do not think we should ever deflate. I don't think of any situation where it would be sound public policy to deflate.

Mr. NORTON. We might have such a degree of inflation that we would have to deflate, and start all over again, but we are not in that position now. They went to such extreme forms of inflation in some foreign countries after the last war, that they had to deflate and start all over again.

Mr. VOORHIS. That is true.

Mr. NORTON. One of the points on which I am more hopeful about the present situation than the situation which developed at the end of the last war is that I believe that there are more people who agree with my view, and the view you just expressed, Congressman. I

think we almost automatically deflated after the last war, and we got into a lot of difficulty.

I think it should be the cardinal point in our post-war economic policy to avoid deflation. That does not mean we will not have some readjustments in prices. The general level of wholesale prices is up about 30 percent, and the level of agricultural commodities is up about 100 percent. As a landowner—and I cannot classify myself as a farmer—I expect prices of farm commodities to be lower after the war than they are now. I might say the majority of the farmers agree with this view.

In fact, in connection with a post-war survey that we are making, we asked the farmers what they thought prices would average 5 years after the war. I am speaking now from memory, but about a thousand Illinois farmers said that they thought the average price of corn would be 77 cents a bushel, which is 25 percent less than the present price, and they thought the average price of hogs would be about \$9 a hundred.

This is the average of answers that farmers made not to Government or university people, but to the farmers who asked these questions of their neighbors.

I want to make clear that by arguing against deflation I am not arguing for a complete absence of readjustment in farm prices, which it seems to me is inevitable after the war.

Now, my second point in the outline follows from the first: We should avoid too extensive credit creation and speculation in good times.

THE CHAIRMAN. Let me ask a question right there. Do you think that readjustments in farm prices are inevitable after the war?

MR. NORTON. Yes.

THE CHAIRMAN. Do you not agree also that a readjustment, possibly, of industrial products will necessarily have to be made after the war?

MR. NORTON. Well, so far as industrial raw materials are concerned, they have not gone up very much in price, and therefore I do not see where there is any necessity for readjustment. Now, if you are thinking of fabricated products, that situation is so complicated that I do not think I wish to express an opinion.

THE CHAIRMAN. Let me finish. What about labor, too?

MR. NORTON. Well, there has been an increase in earnings of labor, a large increase in total earnings, and some increase in wage rates.

THE CHAIRMAN. Now, we must have a medium there where the labor, industrial, and farm products are on a pretty even keel. That is the ideal, isn't it? We used to call that parity.

MR. NORTON. To answer your question specifically, I would like to say that I am one of the pessimists on post-war incomes. I say that, because otherwise my testimony would not make sense on this general question of post-war income. I am not a rank pessimist, however. I don't think national income is going as low as it was before we got into the war, but I don't think we can keep up wartime income levels in times of peace. Just as I think farm prices will be reduced, I think that labor income will be reduced through the elimination of overtime, the smaller number of hours worked, and the fact that a lot of people will shift from wartime jobs back into peacetime jobs where their wages will be much lower.

Therefore, I believe that farm prices will be lower and that labor earnings will be lower per week.

Now, as to the question of particular wage rates, I do not think that I am competent to pass judgment on that.

Mr. FISH. You don't believe that we will keep up the national income that we have today?

Mr. NORTON. I said, sir, that I am a pessimist. I do not think so.

Mr. FISH. Well, you are not alone in that.

Mr. NORTON. I realize that, but I think it would be desirable if we could. However, just looking at the realities of the situation, I do not see how we can. That is my personal belief.

Mr. HOPE. I want to ask you a question with reference to your statement a while ago as to what farmers thought about post-war prices. Do you believe that the farmers are now adjusting their operations in general on the basis that prices will be about where they think they will be? In other words, it is going to make much less of a problem from a good many standpoints, and I am thinking particularly of the problem of what Congress might be confronted with in the demand for farm legislation and that sort of thing. If farmers are adjusting themselves to accept this particular level of prices that you mention, or whether they are not adjusting their operations on that basis.

Mr. NORTON. In connection with my work, I talk to a considerable number of farmers and I describe the post-war situation to them as I have done here. I think that there is almost unanimous agreement among them, that is, among the farmers that prices will be lower. There is a rather considerable reluctance on the part of farmers to buy land at current prices, at least in this part of the Corn Belt, and it seems to me that this is evidence that farmers are not thinking that prices will stay up after this war as they apparently thought at the same period in the last war period.

The only specific evidence that we have of what farmers are thinking is these answers that have been made by about a thousand farmers in connection with a survey that we are making in regard to what farmers are planning to build and to buy after the war.

Later on, when we have that complete study summarized, we could furnish you more complete information based on a larger sample. I merely gave you a few figures offhand. If you would like the complete information later on, I shall be very glad to send it to you.

Mr. HOPE. I think that would be very interesting information.

Mr. NORTON. My second point is, if we are going to maintain stability, we should avoid excessive credit creation and speculation in good times. Now, it is perfectly obvious you cannot avoid the creation of excessive credit in wartimes, because the Government has to finance the war and therefore we have inflation. I am not criticizing the Government when I say that, because it has to be done. It seems to me that, looking ahead and also looking back to what happened after the last war, if we go into a period of relatively good incomes, at least in certain parts of the country, it is going to be very easy for private business to expand and make undue use of credit.

I refer to such things as the Florida land boom after the last war, and the building boom which occurred then. Very excessive use of credit was made in that period, private credit, which I think had a great deal to do with the depth to which we fell in 1930.

Mr. VOORHIS. I agree with you and I would just like to ask you how you would prevent that happening now?

Mr. NORTON. Well, I think partially through a rather strenuous educational program. That may not sound very good and you may disagree with me.

Mr. VOORHIS. No; I don't disagree with you, but I do not think that will do the job.

Mr. NORTON. Well, I have not thought through how that would be implemented, and I am not going to guess here before you gentlemen. I do think, however, that if you are going to carry through a policy of never deflating, we must avoid periods when private credits are excessively inflated.

Mr. VOORHIS. Absolutely, I agree with you.

Mr. NORTON. Because, when you have reached that stage, then sometime you will have to pay off.

Mr. VOORHIS. That is correct.

Mr. NORTON. And you pay off through scaling down or bankruptcy, or some other process.

Mr. VOORHIS. I wondered whether you had considered 100 percent bank reserves against demand deposits.

Mr. NORTON. I have set this point down as a goal and I do not have the means for implementing it.

Mr. VOORHIS. All right, proceed, please.

Mr. NORTON. My third point is tied into this same process. It is listed as my fourth point on the outline. We should maintain controls over prices and wages in wartime in order to limit the extent of post-war adjustments.

In other words, to the degree that you avoid inflation, you make deflation unnecessary. One of the reasons why I have been very favorably inclined toward the present policies of price and wage control is that such policies would not only cause less difficulty now, but would cause a whole lot less difficulty later on.

This, however, is something that is purely a wartime situation.

The fourth thing is that we should maintain sufficient flexibility in prices and wages to permit rapid adjustments to changing conditions. That is an easy thing to set down on paper and a very difficult thing to do in practice. In agriculture we find almost complete flexibility in prices, leaving out such Government controls as are in effect. In other words, our agricultural prices normally fluctuate and adjust to whatever the level of demand and supply warrants, and we find the same thing true in agricultural wage rates. Normally speaking, the wages that a farmer pays his hired man varies pretty much with the amount of income that the farmer receives.

So when you are going to attack this problem, you must attack it in the industrial sector and in the labor sector. Again, I will say it seems to me that education is important there. Somebody, it seems to me, has got to tell the people what the consequences are of unduly inflexible wage and price policies. I don't know of any other procedure for doing it, but I might say, incidentally, that I do not have too high an expectation as to the results. However, I would like to say that it is extremely important. If you run into a period of declining demands and you attempt to maintain prices or wage rates at too high a level, you are simply going to force a reduction in sales or you are going to enforce a reduction in employment. If you want to maintain stability,

you must put enough flexibility into your structure so that it will be flexible.

Mr. HOPE. Right at that point I would like to ask you a question. Would you consider in that connection that there ought to be some compensating payments like Dr. Schultz mentioned a while ago, to smooth over the rough places so far as agriculture is concerned? Does your program contemplate that?

Mr. NORTON. All of my comments on agriculture are in the next section, and if I can pass that for the time being, I will take it up later.

Mr. HOPE. You are talking now about the general picture?

Mr. NORTON. That is right. The question the committee submitted to me was: How maintain over-all stability? My point is that there must be enough flexibility in some parts of the economic structure if we are to maintain over-all stability.

My fifth point is that we should establish and maintain conditions which stimulate venture capital to create new enterprises. While I am not an expert on that subject, it seems to me that tax policies are of primary importance in this connection. In other words, the tax policy should not discourage people from setting up new enterprises.

The CHAIRMAN. But you are mindful of this fact, I am sure, that since we are dealing with a post-war problem, that has to be taken into consideration?

Mr. NORTON. That is right.

The CHAIRMAN. And we all know that we are going to have a national debt of something like \$300,000,000,000, and it is going to take a lot of money raised by taxes to approach the liquidation of this debt, pay the interest on it, and carry on the normal functions of Government. That is one thing that we have to keep in mind, don't we?

Mr. NORTON. I have three reactions to that question. The first is that I realize the taxes after the war are going to be higher than they were before the war. The second is that the taxes will be paid by people who earn incomes, and the third is that therefore the tax policy, granted that it will be at a high level, should be so set up to encourage the creation of enterprises which will earn money to pay taxes, if you want to put it that way.

I am quite conscious of the fact that we are going to have high taxes after the war and that might also color my answer to the question as to whether I agree with Professor Schultz on compensatory payments. I will point that out later on.

Mr. COLMER. As I understand what you are trying to say—and I am not saying you are wrong—but I believe you are saying this: If we are going to reach anything like the goal of employment set up for the post-war era, to maintain anything like an adequate employment program, we are going to have to encourage capital to venture and to expand as it goes out of the production of war materials into normal activities of an economy. They are going to have to be encouraged, and you cannot do that by taxing them beyond the point where it would not be profitable to venture.

Mr. NORTON. I would agree with both of your statements. That is what I am trying to say. I think it is very important.

Mr. COLMER. I think the full committee is more or less of that opinion, and so stated in its report.

Mr. VOORHIS. I am of that opinion. I think that that is half the job, perhaps, and the other job is the maintenance of consumer purchasing power.

Mr. NORTON. I am taking up these things one at a time, or trying to. The sixth thing is to establish and maintain conditions which stimulate the greatest freedom of both internal and foreign trade.

The seventh thing is pursuing diligently and forcefully an intelligent foreign policy looking toward a long-sustained peace, the expansion of needed world trade, and the financing on long terms of self-liquidating enterprises throughout the world.

It seems to me that the two big points of attack by the Federal Government—and I never had the opportunity to say this to a Congressman before, or to a group of Congressmen—are to attack the economic situation through, first, the fiscal field, which involves money, credit, and taxes; and second, through the foreign trade field. These are both prime responsibilities of the Federal Government, and it seems to me if we could work out good policies in these two areas, a lot of our other troubles would take care of themselves.

Mr. FISH. What are the policies? What do you suggest?

Mr. NORTON. I am saying that we should pursue diligently and forcefully an intelligent foreign policy looking toward a long-sustained peace, the expansion of needed world trade, and the financing on long terms of self-liquidating enterprises throughout the world.

Those are in general terms, and it would take several books to expand them.

Mr. FISH. We cannot discuss world peace, because everybody is for world peace and peace generally. The question we can discuss, however, is the expansion of foreign markets and particularly for farm products. What have you to suggest on that?

Mr. NORTON. I have some suggestions in my next section on that. I merely mention them here.

The next thing is the establishing and following of an intelligent, long-run Government policy of investing in capital improvements of types contributing to the well-being of the country and its development, such as roads, health facilities, schools, waterways, and forests. I think there is no question the Government is committed to that policy, but it seems to me that the time for the Government to expand capital expenditures is during times of depression and the time to contract them is in prosperity.

In other words, we should, to some extent, compensate for the boom periods and the depressions in private investment.

Mr. HOPE. Getting back to No. 7, I would like to have you elaborate a little more on what you refer to as self-liquidating enterprises throughout the world. What do you have in mind there?

Mr. NORTON. I am not an expert on world business, but I cannot help but believe that there are places in the world where it is possible, with the present state of economic development, for American capital to be invested in certain forms or in certain enterprises, and eventually the earnings from the enterprise will repay a sufficient return so that the investment will either yield a dividend or the loan will be paid off.

Mr. HOPE. Oh, you have in mind there that that would not only furnish us an outlet for capital and for capital goods, an export outlet we might not have otherwise, but it would raise standards of living in those countries which would give them a greater buying power?

Mr. NORTON. That is correct. We have reached a stage in this country where we can produce capital goods in excess of our own needs. We have machine tools, and so forth, and if there is some place in the world where these things can be used in production—that is, to produce goods and employ people—I cannot see why such sales cannot be handled on a basis where they would provide the income to pay off the debt.

I am not arguing for loans made on the basis of sustaining activities here with the expectation that that is all we are doing, sustaining activities here and not expect anything back. I do not believe that is so in the long run. It may be all right for relief, but we need to do more than extend relief.

I think we can do it on a basis where we can get back returns if the enterprises are carefully selected.

Mr. VOORHIS. The loan will stimulate an enterprise in a foreign country which will yield to that country considerably more than the actual economic benefits and the amount of money necessary to repay the loan. In that case, you believe it is worth while?

Mr. NORTON. Yes. Just to make work here, I do not see any point to that. Of course, if you are going to get back income on these enterprises, you are going to have to take back goods or services, and this would be tied up with my second clause, expansion of needed world trade. I am sure there are many things which foreigners produce which we use and would use more of in this country. I am not worried about the effect of these imports on competition with our own domestic products. You gentlemen are familiar with the major elements of our imports. There are things which we either do not produce at all or we do not produce enough of, as otherwise we would not buy them.

Mr. COLMER. In this connection I would like to say that the committee has a subcommittee on foreign trade and shipping which is now conducting hearings.

Mr. NORTON. Well, let me repeat again. I took the question of the committee literally, that you asked for a discussion of factors in regard to the over-all instability.

Mr. COLMER. I realize it is all interwoven.

Mr. NORTON. Yes; and I set down here the things I thought were important in reducing over-all instability.

Now, we turn to page 2, upper section, under "C" to place agriculture on long-run self-sustaining basis. The first point, it seems to me, is maintaining a reasonably high level of national income. It seems to me the things which I have mentioned before would aid in that process.

Mr. HOPE. You are putting that numerically first because you think that is the most important?

Mr. NORTON. I would not say that the ideas are listed on this sheet in strict order of importance, but I believe that this is the most important item so far as agricultural stability is concerned.

Mr. HOPE. I understand.

Mr. NORTON. There is a graph attached to this statement on the last page. It is a rather crude graph, but it was available to me and I put it in. It shows at the top the national income paid out, excluding Government payments to farmers, from 1910 to date, and you get the same fluctuations which you saw in Dr. Schultz's chart.

The bottom line is the cash farm income to farmers from marketings and not from other sources of income. I don't know that these two series should be directly compared, but I have compared them, and the middle line shows the percentage which marketings by farmers have been year by year of national income paid out.

You will notice that since about 1925 the middle line, while it has fluctuated up and down, has had an almost horizontal trend. The range of percentages is from 10.7 percent to 13 percent. Well, it seems to me it is pretty obvious that, whatever the cause or connection is, the gross income of agriculture is very highly correlated with the income of people as a whole.

The CHAIRMAN. Mr. Norton, would you supply the reporter with a copy of the graph to go in the record with your statement.

Mr. NORTON. He has them. I would put national income first. This would largely take care of the market condition of the branches of agriculture that are dependent upon the national home market, the meats, the dairy products, the fruits, the vegetables. Those products by and large in peacetime are sold in the home market and the kind of a market we have in this market depends primarily on the national income.

Now we get to the other commodities where we have surpluses in addition to our home requirements. The outstanding commodities are cotton, tobacco, wheat, some of the dried fruits and sometimes lard. It is highly important that we establish and carry out workable policies for supporting surplus products.

I have been a little more specific here. This involves, first, competitive prices. You can't sell these goods to a foreigner for any higher price than he can buy comparable qualities elsewhere; that is obvious. Second, we should play the game required of a creditor nation by freely importing needed items and making intelligent long-time self-liquidating investments.

Now, I am not so naive as to believe or even to suggest that we are going to do away with a great many of our tariffs. These are too thoroughly integrated into our system. I did not mean to imply that we would do so when I said we should freely import some items. I think that we should make some adjustments in spots in our tariff structure.

The CHAIRMAN. You have thought a good deal about that point haven't you?

Mr. NORTON. Yes, sir.

The CHAIRMAN. Would you advocate a revision of our tariff laws along the line you have just suggested—maintaining certain tariffs which are so integrated with our economic set-up—or would you resort to reciprocal trade agreements or some other vehicle for bringing that about?

Mr. NORTON. May I answer in the abstract, realizing that when you are dealing with legislation of that type you don't come out with the ideal. I know that. But it seems to me it is very likely that our tariff laws could be revised at spots, which would more nearly bring our tariff structure into the proper position it should occupy with respect to the job of encouraging world trade.

Now, I have answered your question in the abstract. A tariff act was passed back in '29 or '30 and modified somewhat by the trade agreements. It probably is now out of date for any purpose, certainly

for its original purpose. I don't know that I have answered your question, but I have given you my idea about it.

The CHAIRMAN. I have asked the question in connection with a post-war program after the war is over and we settled down to normal life again.

Mr. NORTON. May I make this concrete suggestion, then? It seems to me if the Congress or some other Government agency designated by Congress would consider our present Tariff Act in the light of how well it fits the present position of the United States in the world-trade picture, it would be a highly desirable thing.

If you want a specific recommendation, I would make this: Just examine the tariff, the whole structure from the standpoint of how it fits in with present conditions. Now, when you have done that, I am sure that you would leave a lot of protection for certain elements. I do not think, after having left such protection, that it would seriously interfere with the type of trade which I have envisioned in my statement.

The CHAIRMAN. Of course, we all know this, that as Congress is made up of representatives from various different sections of the country representing different industries and commodities, you would have a powerful urge there to take care of each individual, and when you would get through, you would have a patchwork that would not accomplish what we started out to do.

Mr. NORTON. I told you that I would answer your question from an idealistic standpoint, recognizing fully the difficulties of doing anything in this field. I think I had in my mind just what you have stated.

Third, I would support Government soil conservation on an adequate basis. The entire Nation has a vital long-term interest in doing this. The whole Nation is interested in maintaining our basic agricultural plant in a sound condition.

I think the widest possible use of local people should be made, however, in actually developing the conservation program for different areas. In other words, I think the formulas ought to be worked out in such a way that they make possible the greatest use of local knowledge in developing the specific conservation practices put into effect.

I think also that the programs for agricultural education and development should be supported. That is a problem I know something about from experience. Working farmers need vigorous and scientifically trained leadership in periods of developing technology and adjustment.

There are a great many shifts that will have to be made and farmers need good leadership and well-trained leadership in doing that.

Fifth, I would——

Mr. HOPE. Are you referring there to the work of Extension Service and that sort of thing?

Mr. NORTON. The work of Extension Service and any supporting agencies or any other agencies that are working with farmers to help guide them in this process of adjustment. If we are going to make shifts, we must have a sound basis for such shifts and we need good leadership in making them.

Now, I expect the next point is extremely controversial, but I am going to make it. I would eliminate present high-level price supports,

subsidies, etcetera, at the earliest possible dates that are economically and legally feasible. Now, you may ask me what economically means. What I have in mind there are the things that Professor Schultz discussed.

Some of these programs were set up to get increased production. That is an economic problem. The Congress has already established certain laws which are commitments and, presumably, Congress is not going to reverse these commitments. That is what I mean by legally.

THE CHAIRMAN. You mean after the war is over?

Mr. NORTON. Yes. If continued, these will lead to, first, a tremendous drain on the Treasury; second, the accumulation of huge, burdensome, unneeded surplus stock which will act as a dead weight to hold down prices; and, third, they will cause incomes from staple crops to vary more from year to year than they would if prices are permitted to fluctuate, because if you get one of these ever-normal granaries or over-filled cotton warehouses filled up and these stocks hold prices at a fixed level and crop yields are down 20 percent for some crop, you don't get any increase in price to offset the lower yield.

On this point I think Professor Schultz would agree with me. I think that there are distinct limitations to the desirable nature of the so-called ever-normal granary. Moreover, these high-level price supports will delay needed adjustments in production.

THE CHAIRMAN. What did you say about his suggestion that we have a supply of feed stuffs in the plain States so that in case of extreme drought we could maintain a constant flow of meat products to the market? What about that?

Mr. NORTON. Theoretically, I would agree. That is ideal, but as the ever-normal granary worked out, we get your big accumulation in corn—and I am speaking now of corn—in the cash corn areas where the corn simply backed up and was stored there.

Now, it was time that we had it to help out and make possible this huge war production of livestock, but I don't think, gentlemen, you can always count on a war to come along to empty out these granaries. I am acting on the assumption that you can't.

THE CHAIRMAN. You don't believe in the old Egyptian's theory of storing up in the years of plenty for the years of famine?

Mr. NORTON. Well, we have had 8 years of plenty now so far as corn is concerned. If you were sure, Mr. Zimmerman, that we would have 7 years of famine and 7 years of plenty, I would agree with a storage plan.

THE CHAIRMAN. I made that remark facetiously, of course.

Mr. NORTON. Well, dealing with the realities of the thing, unless we are very careful about our price levels, we are going to build up excessive stocks which will have the effects that I mention here and I am very apprehensive about them.

Mr. HOPE. Do you think you could have a system of support prices at high levels without some program for production control?

Mr. NORTON. I would say no. It is perfectly obvious, if you are going to support prices and such action leads to an accumulation of stocks beyond what will be sold, then you have to control production.

However, I am skeptical about the ability of anybody to design a program that will actually control production that you can actually get farmers to follow.

The experience of farmers with production control, at least in the North, and I can't say anything about cotton, has been with an extremely mild form of production control.

In corn we had an acreage regulation and at the same time we came along with hybrid seed and grew more bushels than we did before on each acre. We were able to put the land in some other crop, soybeans or clover, and the clover crop made for better corn crops. The result of it all was, when we came out of a period of several years of so-called production control, at least in the Corn Belt, our level of production was higher than it was when we began.

I would say that you would have to have effective production control, and that that would mean, it seems to me, rigid marketing quotas and then some way of actually getting rid of the excess.

Mr. HOPE. You would have to at least limit the quantity of the product upon which you would maintain this high price level?

Mr. NORTON. That is correct. All I am saying is that, based upon my observation and experience, it is extremely difficult to do it.

Mr. HOPE. I agree with you as to the size of the problem.

The CHAIRMAN. You have said a while ago that a large number of Illinois farmers have been interrogated, I don't know how many thousands.

Mr. NORTON. About a thousand.

The CHAIRMAN. Did you ask them about their views on this question?

Mr. NORTON. No, sir.

The CHAIRMAN. Have you ever taken a poll of farmers on that?

Mr. NORTON. No; we have not. I understand that the Department of Agriculture has, but we have not. We have no opinions or sample of opinions as to what farmers think about crop control.

The CHAIRMAN. Do you know what the results of the Department of Agriculture were?

Mr. NORTON. I can't quote them offhand. The only impression I have is that the percentage of people who look with favor upon the Government program was higher in the South than in the Corn Belt; but whether it was a majority or not in either region, I do not remember.

The CHAIRMAN. I know that the cotton farmers have generally favored such a program. I don't know what the wheat farmers have done. I believe they have, too, haven't they?

Mr. HOPE. Well, the wheat farmers have voted marketing quotas twice.

The CHAIRMAN. That is right. What about corn?

Mr. HOPE. That has never been true.

Mr. NORTON. I am speaking here as an individual and not as a representative of the college of agriculture, because it does not have an official opinion. I am not representing any group of farmers, but I am here to give you my views solely.

Sixth, I would confine Government price supports to emergencies; that is, in peacetime. The objective should be to establish a minimum below which prices or incomes are not permitted to go, rather than to maintain a high level.

I don't want to comment on the scheme that Professor Schultz proposed in full, but I have the impression, however, that as he stated it, it might yield a level of prices or returns somewhat above what I contemplate in this recommendation here.

Mr. VOORHIS. Tell us what you mean by "emergency."

Mr. NORTON. Well, you always get to the question of a definition; 1933 was certainly an emergency.

Mr. VOORHIS. Was 1920 an emergency, after May, I mean?

Mr. NORTON. Well, I expect 1921 was.

Mr. VOORHIS. Well, the latter part of '20 and '21?

Mr. NORTON. Yes. What I mean here is that the Government policy should be to cut off the low end of the dips and prevent the decidedly low prices that come at such times rather than to support them at high levels.

Mr. VOORHIS. What you are intimating is what a group of poultrymen told me when I was out there, namely, that they want support or some kind of a backstop to prevent prices from falling out of sight, but they don't want it maintained so high that you eliminate the possibility of adjusting production. That was their point of view. I am not saying what mine may be.

Mr. NORTON. That describes what I mean here.

Mr. COLMER. Right there, Mr. Norton, what you do there is, you would put a floor under the prices. In other words, you would do for farm production what the Congress attempted to do for labor, a minimum beyond which they could not fall. Is that correct?

Mr. NORTON. Suppose we put it this way: We started out with a minimum or with a floor, and we gradually got our floor so it is up pretty close to the ceiling. When you have a possible fluctuation, as we have now in corn, of only 10 points on parity, you do not have any leeway there.

What I am saying in point five is that we should eliminate them as quick as we can and get our price supports back to a lower level. Then you have an argument as to what the level will be.

Mr. COLMER. I want to develop that further. We hear a great deal about governmental regimentation of the people, about the Government fixing the price of labor and of commodities, and there is apparently a great desire, because we hear a great deal about it, to take the Government out of business, out of industry, and get back to individual initiative and enterprise—is that possible in agriculture?

Mr. NORTON. Well, my recommendation would be a movement in that direction, but the Government would stay in this far, namely, to step in and support the prices or support income from falling below certain levels. I won't argue about the technique provided it is at a relatively low level; that is, at not such a relatively high level as at the present time.

Mr. COLMER. But you do feel that the Government has got to maintain some control?

Mr. NORTON. Well, I think it is wise for it to do so.

Mr. COLMER. All right.

Mr. NORTON. I think the point which Professor Schultz made to the effect that agriculture continues to produce during depression—and by the very nature of its operation it does so, and it is mighty fortunate for us as consumers that it does, because we all want to

eat three meals a day—even though industry and other elements of the economy may cut production, then it seems to me that it is desirable public policy to maintain a certain minimum level of income in agriculture as a reward for continued production.

Now, the argument is, at what level? And my minimum would be at a low level.

The CHAIRMAN. You mean, maintain farm income at a low level?

Mr. NORTON. No; I mean the level below which income would not be permitted to fall would be a relatively low level. The floor would be a low level.

The CHAIRMAN. The Government would not operate until the farmer was in a losing position.

Mr. NORTON. All right. I don't know that I like the word "losing."

The CHAIRMAN. Well, if it is a relatively low level, it might be.

Mr. NORTON. I have used the word "emergency," and I would say when the farmer showed signs of getting into extreme distress.

Mr. VOORHIS. May I pursue that point a second, because you said that 1933 was an emergency, and I suppose you would go beyond 1933 a few years, wouldn't you?

Mr. NORTON. Yes; I would stop before we got that low.

Mr. VOORHIS. And 1920 and '21 was an emergency. Well, in other words, aren't you saying that Government price support should be confined to the time when government price supports are needed, and if that be true, why not have them continue as a proposition?

Mr. NORTON. Yes.

Mr. VOORHIS. If you are going to have the price support at a level such as I understand you to mean, it would simply be of no consequence when farm income would be high. I don't see what your first sentence signifies, Mr. Norton. I don't think it means anything.

Mr. NORTON. Maybe it does not. If you and I could get together on what we mean by the word "needed," then I would agree perfectly with your statement. That is what I meant to say.

Mr. VOORHIS. But your kind of price support would be inoperative at a time of high farm income?

Mr. NORTON. That is right.

Mr. VOORHIS. Why not leave it in effect, and it will be in effect when needed?

Mr. NORTON. All right; if you want to change my language and say "establish a system of price support that would become effective at such a time," I would be quite agreeable to that. That is what I meant.

Mr. VOORHIS. It seems to me if they said all the time that you would accomplish your purpose just as well if you would invoke it all of a sudden, then when you had a depression——

Mr. NORTON. That is what I meant to say, and if I used poor language, I did not mean that.

Mr. VOORHIS. I think I understand.

The CHAIRMAN. You don't think we should hazard agriculture to a policy of letting the commodity seek its natural level of income?

Mr. NORTON. I don't want to be misunderstood here. I would say, if we can maintain a reasonably high level of national income and reasonably good markets for farm products, the type of price support

that I am talking about would not operate most of the time. Does that make my position clear?

The CHAIRMAN. But you think we should have that stopgap there to rely on in times of emergency?

Mr. NORTON. Yes, sir.

The CHAIRMAN. And only as such?

Mr. NORTON. Yes.

The CHAIRMAN. The idea would be to let the price demand for the product fix the price?

Mr. NORTON. That is correct.

The CHAIRMAN. Normally?

Mr. NORTON. Yes. Now, I might say that I have been speaking in general terms; there are some people who would take violent exception to what I have said, and I would agree with them in particular cases. Some of the pricing mechanisms which have been worked out since the depression began it seems to me might well have been left in effect.

I am referring now to some of the milk-marketing mechanisms which provide for a considerable degree of flexibility. I can see that in abbreviating this statement, I have eliminated several things. I was thinking mainly in this discussion of the prices of the commodities which flow out into the competitive markets.

I would want to have the record show that I did not intend No. 6 to include elimination of these milk-marketing agreements where they had been established to include a proper degree of flexibility.

Mr. HOPE. You are referring to the multiple price system so far as your milk marketing is concerned?

Mr. NORTON. That is right.

Mr. HOPE. Where the use determines the price?

Mr. NORTON. That is right.

Mr. HOPE. You think that is a good program?

Mr. NORTON. Yes; I think that there have been some very good agreements worked out there.

Mr. HOPE. Do you think that should apply to other commodities?

Mr. NORTON. Well, the reason that those have come in the milk market is that for a long, long time milk was almost a subject of warfare, because milk moves from a particular farm to a particular dealer and there is no open market for milk.

Personally, I cannot see how that this plan can be applied to many other commodities. It may be that I have not thought the problem through. How you would apply it in the pricing of wheat or in the pricing of livestock, I have not been able to see.

Mr. HOPE. I was wondering about wheat. We use wheat for livestock feed to some extent, and it can be used and used when the feed supply is short enough. It is used in the manufacture of alcohol when there is a shortage of other materials, and I am wondering if you have given any thought to the idea we might use the multiple price system so far as a commodity like wheat is concerned, where there are inferior uses to which it might be put?

Mr. NORTON. On that point, I think you have changed the problem somewhat. In milk the question is the constant warfare between the producers and one buyer. So agreements were worked out.

Wheat goes through multiple channels. But I would say this: if the two-price system for wheat were put into effect, it would be more workable in the long run and less costly to the Government than our present

system of attempting to maintain the price of the whole wheat crop at 90 percent of parity.

Mr. HOPE. Yes; I would think so.

Mr. NORTON. It has interesting possibilities. Let's put it this way—as a device for maintaining the price of wheat, or the price on a certain fraction of the wheat crop, and getting the surplus out of the way where it won't do so much trouble.

Mr. HOPE. Have you thought about the marketing agreement program as it is used on milk in the marketing of fruit and vegetables?

Mr. NORTON. I can claim only slight familiarity with problems in the marketing of fruits and vegetables. It is my understanding that to some extent marketing agreements are used mainly in the determination of the total volume that will move in a particular time period.

It is used to regularize the movement rather than to provide a basis by which returns to producers are determined. That is about as far as I could go with my present knowledge in discussing marketing agreements for the perishables. I don't see how it can be applied to vegetables as it is to milk.

Mr. HOPE. The effect on prices is very marked.

Mr. NORTON. That is right.

Mr. HOPE. By cooperation among farmers, they put themselves in the position to get a better price than if they do it individually.

Mr. NORTON. I would not raise any question about the desirability in that case.

Mr. HOPE. I don't know anything about the marketing of grapefruit, but I understand that the surplus frequently goes into juice. I suppose that is the case with oranges, too.

Mr. VOORHIS. To some extent.

Mr. HOPE. I think some sort of an arrangement could be had, like that with milk, and a certain portion of it go in the juice. It seems to me there are some interesting possibilities there, but I don't know much about it.

Mr. VOORHIS. That is what the co-ops do.

Mr. HOPE. I don't see how you can have a marketing agreement with multiple prices unless you have growers' organizations that are strong enough as well as a system of distribution which is very largely in the hands of great organizations which cover the whole territory in a given area.

Do you think that is an essential ingredient for that type of two-price system?

Mr. NORTON. That certainly would be essential to the way they work out for horticultural products. In the dairy field, as I have observed them, the market administrator and the cooperative seem to get along together and more or less supplement each other in many markets. In some markets they don't agree too well, I understand, but it is certainly true that in any market where a milk market agreement has been put into effect, there was prior to its adoption a working functioning cooperative.

Now, my last point is that if parity is to be used as a guide to price supports for individual commodities, some more realistic and up-to-date system of parity prices, which recognizes present cost and demand relationships, must be worked out and adopted.

I have no quarrel with parity as an over-all concept as a general average, but we have had so many changes in the relationships in connection with relative cost and demand for individual products

in the 30 years that have elapsed since our base period, 1910-14, that I think some of the individual relationships are getting out of date. I make a concrete suggestion here. A group of competent students of farm price and cost relationships should be assembled to make recommendations on that point, because I think you will find—if you explore into the views of most students of farm cost and prices—you will find that they will tell you there are some things on which the present parities are out of balance or out of line.

My eighth point is establish adequate educational facilities in rural areas, which give an even break to rural youth when they go from areas of surplus population to seek urban jobs.

Now, it is a fact that, from very large sections of the country, a considerable number of people have to leave in order to make a living. They ought to have as good an education for the job into which they are going, as the people have got in the area from which they came.

Now, in connection with the higher level of consumption and nutrition, my observations are all very general because I have not made any special study of that problem and I will read through them hurriedly.

(1) High-level consumption and nutrition depend on availability of food, income, habits, and education.

(2) A high-level national income with reasonably complete employment is needed to provide the economic basis for high-level consumption.

(3) Agriculture should maintain adequate production of needed foods to permit high-level consumption. Food cannot be eaten unless it is available.

(4) All foods should be priced competitively.

(5) All kinds of low-cost systems of food distribution should be encouraged. High-cost service systems will also flourish in a high-income economy, and these should not be discouraged in any way.

May I elaborate on that point? If you go into the marketing system, in the retail field in particular, you will find that there are some markets where relatively low cost systems of distributing products have developed.

I think particularly of the distribution of milk in some cities where it is done through stores. All right; encourage that. At the same time in these cities there are a lot of people who, if they have the money, want the milk delivered every day in a small package on their doorstep. I certainly would not discourage the businessman who wants to furnish the high service.

Mr. VOORHIS. Would you encourage consumers' cooperatives?

Mr. NORTON. If they can do it more efficiently than the present system of food distribution; yes. Now, that question is answered without any regard of desirability or undesirability of consumer cooperatives. In answering your question, I judge them solely on efficiency. There might be other reasons than efficiency why the consumers want to develop cooperatives.

(6) Educational programs to acquaint all people with desirable dietary standards should be carried on.

(7) School-lunch programs on self-sustaining basis except in needy cases are desirable. I realize that you get into a very difficult administrative problem there, but it seems to me there ought to be some

practical way whereby the Government carries the cost of the folks who need food and who cannot pay for it and not bear the cost of those who can pay.

Mr. VOORHIS. You mean that children who are able to pay for the lunches must be made to pay for them?

Mr. NORTON. That is right.

Mr. VOORHIS. It has been done in most cases, I believe.

Mr. NORTON. There are variations, I understand.

(8) Food stamp plan with emphasis on nutrition rather than on disposal of surplus products should be revived if widespread unemployment persists for any considerable length of time.

I agree with Professor Schultz that the emphasis should be on nutrition rather than on disposal of surplus products. I don't see why the food stamp plan should be used to encourage people to continue to produce things that the consumer says he does not want. The consumer should have the choice there. I personally would not put such a food stamp plan in at the first sign of unemployment. I would wait until you had a serious problem and really know that this was going to cause people to be undernourished.

Now, I have a section on foreign trade which repeats what I said above and I don't think I need to read it.

That completes what I have prepared and I will be glad to answer any further questions.

The CHAIRMAN. It is now 1 o'clock and time to get a little lunch and we appreciate your appearance here. You have given us some food for thought with your splendid suggestions. We appreciate your coming.

We will now adjourn until 2 o'clock.

(Whereupon, the committee recessed until 2 o'clock.)

AFTER RECESS

The CHAIRMAN. The committee will please come to order. Mr. Brandt, we will be glad to hear from you. Will you give the reporter your name, address, and affiliation?

TESTIMONY OF JOHN BRANDT, PRESIDENT OF LAND O'LAKES CREAMERIES, MINNEAPOLIS, MINN.

Mr. BRANDT. My name is John Brandt. I am president of the Land O'Lakes Creameries and of the National Cooperative Milk Producers Association.

The CHAIRMAN. Mr. Brandt, we will be glad to hear from you. If you have a paper, you may present it.

Mr. BRANDT. I haven't any paper. I got the request to appear at this meeting at a time when I was just getting ready to go to another meeting of the National Cooperative Milk Producers. Therefore, I didn't have any time to prepare a statement. I got back just in time to clean my desk and get down here again.

I have some material that I will let you have a little later, which is not quite up to date, but it will express some of the general views and the principles that I have in mind with respect to post-war planning. While this was not prepared at the time when we were in war, it was

prepared at a time when we were in at least an internal war of our own making here, of trying to get ourselves out of the depression.

I also have some charts that I will want to present. Those, likewise, are old but, with some explanations that I can give, I can possibly get them to fit into the presentation that I want to make here today.

To begin with, I am going to try to deal with my subject and my presentation from the standpoint of one who is a farmer and has operated a farm, still operating my own farm and, from the standpoint of the place I think agriculture has in the national economy and its place in post-war prosperity.

As a farmer, I quite likely may differ from some people with respect to what is basic with respect to maintaining agricultural prosperity. I know there is a lot of discussion today to the effect that if we can maintain high industrial earnings and high wages we can tie the kite of prosperity of agriculture to the cordstrings of prosperity of the other two groups and, of course, as a farmer and in my experience in that line, I am maintaining that while we need high industrial earnings, we need high income and high wages and that we can't maintain either one of them unless we do build on a foundation of high income to agriculture.

I think this is the basic position to work from. I don't think we can maintain high income to agriculture in any way except as agriculture receives a price at the market place for its products and that we commence to understand our situation with respect to the gratuities that we seem to be handing out to agriculture at the present time and accept them, not as subsidies to agriculture, for they are virtually a method whereby we want to keep down the cost of living. There is a lot of difference between benefit payments that are dished out to agriculture and a program of maintaining price levels and keeping down the cost of living to the consumer. I think all through this discussion we should differentiate between those two.

Furthermore, I am of the opinion that with the national debt, which has the possibility of reaching the \$300,000,000,000 mark, there isn't anybody in this room who sincerely thinks we have any hope of ever retiring this debt in an orderly manner unless we can maintain a high national income. If we go back to an income of the highest level that we have ever known of in peacetime and we attempt to liquidate this debt on a normal income basis, we will find ourselves in a position where we will either have to print money or we will have to default when this great debt, a large part of which is a current liability, comes due.

There are many thousands of E bond holders and, when this war is over and the incentive of patriotic duty to hold these bonds is over, a large percentage of these bonds will be cashed and put into circulation. They are almost the same as money now and can be cashed on presentation. Unless we can retire these bonds through current tax assessment and in an orderly way, we will have to print money and, once we start that, we are running into trouble. I am of the opinion that our only salvation is to maintain a high income for industry, high wages for labor and a comparable income of equality to agriculture.

Mr. FISH. What is the amount that you set as the minimum for the national income?

Mr. BRANDT. I do not believe we can hope to retire our present indebtedness in an orderly manner unless we can maintain at least a 150 billion dollar national income or higher.

Mr. FISH. Of course no one would love to see that done more than I would, but do you happen to know what the highest income was in peacetime in the history of America?

Mr. BRANDT. I think around 95 to 100 billion dollars.

Mr. FISH. Well, it was 90 billion dollars back in 1929, but right before the war it was only 67 billion.

Mr. BRANDT. That was just before the war, and I said the highest peak income we ever had in peacetime would not suffice.

Mr. FISH. The high one in the thirties was in 1937 and 1938, which was 67 billion. Now you are talking about 150 billion. I hope you can give us some idea how you arrive at that.

Mr. BRANDT. I am going to try to do so. I am not making this preliminary statement without having in mind an explanation of some method of arriving at the goal we are trying to reach. We have too many promises and too many ideas. We say we have to do this and that. We had a lot of these promises in the last campaign. Both sides promised 60 million jobs, high income to agriculture, high income to labor, short hours, more pay, but nobody told us how to get it.

Mr. FISH. I will have to differ with you and, although I think it is highly desirable, I think only one side promised 60 million employed.

Mr. BRANDT. Leave that as it may be, I still say that one of the first things we have to do is to realize that we can't liquidate this debt that this Nation has today out of income tax alone because, when we assess taxes too heavily against net income, we finally get ourselves in a position where we take all the net income and when we do that, we stifle business; business cannot operate and we finally get ourselves in the position where the Government takes all our earnings and then dishes them back to us in the amounts they think each one of us ought to have or in relation to its effect on the support of the beneficiary for those who seek power and advantage and are in a position to dish out somebody else's money.

Therefore, I think we must come to the consideration of lowering income taxes in order that business can expand to furnish work for labor and in turn furnish purchasing power for agricultural production and, by so doing, maintain an income of equality to agriculture that will permit farmers to purchase goods that labor and industry produce. There are between 30 and 35 million people who live on farms, and they are the Nation's best customers.

As a nation, I know we are trying to dodge the issue of a basis of taxation that seems to lend the only hope of liquidating this national debt, which is a national sales tax. I doubt that we can avoid this issue. If we do, we are bound to drift into a position which we are all trying to avoid, where the Government takes nearly all the net income and leaves nothing for business expansion. A sales tax is a degree of inflation but its degree can be governed and regulated by the amount of sales tax, which in itself is in addition to the price we must pay for the products we buy.

This naturally is inflationary, but there is a lot of difference between taxing on net income and gross turn-over in business. One represents a cost of doing business—the other, if large enough, takes away all incentive by confiscating all earnings, and then we have to stop doing business entirely. When we stop doing business, jobs go out the window and we start down the road to depression.

It is my intention here today to present a program of price support for agriculture which is in itself self-supporting and not a drain on the taxpayers' pocketbook of the Nation. I am absolutely opposed to any program that is in the category of paternal assistance except where we have distress due to drought or other uncontrollable elements that may bring distress where charity may be needed.

I believe that any program for agriculture must permit of the greatest freedom of action, and I do not believe that any central force of planners can plan a program for the 6,000,000 farms of America without being wrong as many times as they are right with respect to guessing the hazards that come with respect to farming operations. We have had some sad experiences in the past of centrally planning farm crop programs, and we find the pendulum swings so far one way or another or weather conditions interfere and we either have an uncontrollable surplus of one product and a shortage of another or we miss the boat entirely.

This deals with all the problems of crop insurance, allocations and crop control. It carries with it all the hazards of a program that sets out to define and direct the operation of each individual farm. I think it is too complicated to ever work out as it should, and we must deal with it on a much broader basis. I think that if we are to maintain the freedom of America, a freedom that is guaranteed to us under the Constitution of the United States, we must develop a program of broad governmental assistance that will leave the freest individual action in the operation of our business affairs, whether they be in business, labor or in agriculture.

I will say this much—that certainly we are going to have some degree of control, some degree of regulation, but whatever we do in this respect should be so well defined by Congress that it will not permit of a legislative act on the part of an administrative bureau. I think one of the biggest dangers we face in America is that congressional legislation is so indirect and indefinite that it extends authority and permits of administrative legislation, which is bad in any nation and will lead us into trouble and the loss of our liberties. Too much paternalism carries with it paternalistic control.

I do not believe that this Nation can survive the post-war period without some degree of inflation if we are to avoid repudiation of our debts. We must manage some way to maintain a high income for all three branches of the Nations activities and, certainly, when we attempt to do this by whatever means we may follow, our dollars will not be worth as much money as they have been in the past. In fact, who is there today who is foolish enough to believe that we aren't already in a highly inflationary period.

Mr. FISH. What are these branches you refer to?

Mr. BRANDT. I refer to agriculture, labor, and industry. That is at least the broad definition that I give it. I do not believe there is anyone in this room who believes that we can go back to a peacetime income or that we can get wages, price levels, and industrial earnings down to a basis of world levels. I don't think anyone believes that labor will want to go back to the long hours and low pay that will exist in many foreign countries. I do not believe that we can expect industry to expand as it has in the last 165 years if we are going to cramp it with controls and low income as we will have in many foreign countries. Neither do I believe that we can maintain national

prosperity if agricultural products must seek world levels. I think it would be disastrous to agriculture and we would never be able to maintain our national income at the necessary high level without agricultural prosperity.

Mr. VOORHIS. Without disagreement with what you have just said, what would you do about the exportable surpluses in certain agricultural commodities?

Mr. BRANDT. I will come to that pretty soon and I have a definite idea of what we could do with agricultural surpluses and exportable surpluses and the uses of these surpluses within our own markets. This Nation is without question geared to thinking of maintaining agricultural prosperity by tying it to the cordstrings of prosperity for labor and industry, but we should stop and give this idea some consideration and realize the fact that the minute surpluses appear, they will immediately depress the price of agricultural products unless there is a home made for such surpluses. Human beings are funny, but maybe they are not so funny after all, as everybody wants everybody else to have a good income, but they all want to buy things as cheap as they can and, whenever a surplus tries to find a market for itself, it will depress the market price for all the production to the level of where the surplus will find a market outlet at a price that will move it.

To prove this statement all you have to do is to go back to last year, and that was in a wartime period when certainly nobody felt that we had too much food, but we ran into periods where surplus egg production and surplus pork production had a very depressing effect upon the market. We saw eggs reach a position where you could hardly give them away, and certainly nobody could say that this Nation was lacking in earning power sufficient to buy all the food it wanted, but still eggs were a surplus. That in itself disproves the fact that high earnings in labor and industry will always maintain high prices for agricultural products.

When surpluses appear everybody buys as cheap as he can and the price goes down. Nobody wants to pay more than he has to and some people don't even want to pay that much. I am associated with a cooperative association, and it is in the interest of our patrons that we try to get as much for our products as we can, as the farmers need it. But, in spite of all that we can do, we cannot maintain prices when surpluses appear. Our Government stepped into the picture when we had the surplus of eggs and made a home for the surplus at a price level at which they wanted to maintain the egg market.

It must be remembered that in wartime the Government can buy some of the items and store them and justify this action, but the Government itself cannot be the granary for all surpluses, and this is especially true in peacetime. Whether the surpluses exist in manufactured goods or in agriculture, the cost of the disposal of surpluses must be borne by those who create the surpluses.

We haven't any right to expect a price for the products we produce in excess of that which we can use in our home markets that is higher than the levels at which we can dispose of these products in some manner other than through our normal home markets. If we produce for export or if we produce products that may go into certain types of chemurgic development, then we ourselves, and we only, should pay

the bill for the loss through the disposal of the surpluses in such manner. This is the only basis upon which we are going to establish a sound basis for business and agriculture as a whole.

The CHAIRMAN. Industry carries its own surplus, doesn't it, and they do that because industry has been able to get together and organize itself so as to curtail production down to the national need. Isn't that right?

Mr. BRANDT. They may not have gotten together to do it, but the very fact that they operate a business requires that they do regulate their surpluses. If they do not want to produce a binder, they do not have to do it, but we are unable to do that in agriculture. Farmers have no control over the weather. We have 6,000,000 farmers scattered all over the country and they do not have the organized control that industry has. Industry can get together and discuss their problems and then govern their own production according to the situation they find themselves in. When a farmer plans his crop he never knows just what he is going to produce and, if he produces more than he can sell, he has it on his hands.

Mr. VOORHIS. You do not want to say that industry never gets together to do that.

Mr. BRANDT. I wouldn't say that. They do get together on a lot of things. In fact, there are a lot of people who get together on control or matters that are not for the best interest of the farmers. The only way farmers can merge their interests is through cooperative organizations. I don't want to build a case for agriculture on anyone else's shortcomings, but I do think agriculture must get together to produce, manufacture, and merchandise its farm products so far as this is possible.

The CHAIRMAN. But in building that case you must recognize the fact that industry can do and does do what agriculture has never been able to do up to this time.

Mr. BRANDT. That is right, but it is agriculture's own fault, so far as their being able to get together is concerned. I am not excusing agriculture in any way. I am pointing out that we ought to give them the fullest opportunity to conduct in its fullest the job of producing and marketing agricultural products.

The CHAIRMAN. I would like to find out how you can do it.

Mr. BRANDT. I am going to use this chart to show you how we must provide the opportunity for farmers to deal with their surpluses. This first chart (see exhibit 3, p. 1694) is one that is representative of the situation with respect to the market for dairy products and, inasmuch as dairying constitutes about 20 percent of the national income, it is a tremendous item, and in dairying we have an opportunity of absorbing surplus labor, as it requires more work in the dairy business. Dairying also affords a sound basis of soil conservation. Surplus farm products that are converted into butter, cheese, and other dairy products provide a means of reducing bulky farm surpluses into concentrated items that are easier to handle.

The total farm income is a governing factor of national income. If you were to review the experience of past years you would find that the national income bears a direct relation to the farm income. You can multiply the dollar the farmer gets by eight and you will have the national income.

This chart represents the market trend for butter over a period of July 1943 to June 1944, which is just about a year. Note the erratic market changes during this period, which are due to the reflection of temporary surpluses and market manipulation. During the spring of 1943 statistical information from the Department of Agriculture indicated that we would have production of butter of about 60,000,000 pounds in excess of that which we usually produce, which would present a picture of storage holdings in this amount in excess of the normal holdings.

Our markets were headed right down to the bottom, to this point on the chart, which is 15 cents per pound. Certainly everybody in the butter business foresaw a situation of this kind. The bear traders were doing all they could to crowd it down and their contention was supported by an ever increasing supply of butter. Just to give you a little illustration to show you what effect a little market stabilization will have in maintaining a stable market for butter, this straight line on the chart indicates the period when a small amount of butter was removed through the operation of a surplus holding pool that made a home for this surplus butter.

Mr. HOPE. Those figures at the side are price per pound?

Mr. BRANDT. These are all the per pound price ranges. I happened to be in Washington at the time this market decline reached the lowest point. I attended a conference with the Secretary of Agriculture where there were a number of Government men representative of farm groups and at least one dean of a college present. Everyone recognized that something should be done if we were to avoid a disastrous situation so far as the entire dairy business was concerned, which would have a bad economic effect on the entire farm income.

The Land O'Lakes Creameries was asked to assist in averting this downward trend and to take over the market stabilization until the Government could arrange some program whereby it could stabilize the butter market. This was on the 19th day of August. Dean Christensen, who was at one time secretary of the Farm Board and was at that time dean of the college of agriculture of the University of Wisconsin, made the statement that during the Farm Board operation they had asked Land O'Lakes to help stabilize the butter market and asked if something on the same order might not be accomplished at this time.

As a representative of the Land O'Lakes Creameries I agreed that we would help out until the Government could prepare itself to do the job. We agreed with the officials of the Department of Agriculture that we would step into the market the next day and, if necessary, would handle the market situation for a period of 8 or 10 days until the Government had its own machinery set up, and during that time all we would ask was that the Government would take the butter off our hands at the price we paid for it. We would furnish the capital and take all the risk so far as the use of our capital was concerned. Someone in the group asked when the farmers would feel the effects of the stabilization. This meeting was held on August 19 and I said they would get the benefit of it "tomorrow morning."

We used the machinery of the Land O'Lakes branches at New York, Chicago, and Boston. I got in touch with these branches the same afternoon and made it known we wanted to buy butter the next

morning. When the next morning arrived we offered to take butter, both on the Exchanges and through private offers, at a cent above the market for the previous day. We noticed immediately a definite reaction, and many pressure sellers were not ready to sell when there was a ready market for their product. Each day we moved the market a little higher until it reached the high where you see this straight line, as this is the market level at which the Government wanted to stabilize the butter market.

This was accomplished without a very heavy purchase, and it is funny how sellers react. When somebody wanted to buy, nobody wanted to sell. The market moved right up to this level, as indicated on the chart, and stayed there all during the period through which we handled the stabilization operation. You will notice this little upward jolt in the straight line, indicating the market trend. At this point dealers in the market who were in the habit of speculating and trying to make money through manipulation tried to run the market up above the line at which we intended to stabilize the market, and you will note that this little upward jog in the market line lasted only a short time as, when buyers stepped into the market to advance the market, we had some of the butter on hand that was purchased in stabilizing the market and we started to sell. When they found that the force that was holding the market up was ready to release some of its butter when they attempted through manipulation to advance it above the reasonable level we had set as the basis of stabilization, buyers again became inactive and the market settled down to carry out the program indicated by this straight line.

During all this entire period the market was in the rut indicated by this low point in the market line until this point, where you see the market again began to break. It was only necessary to purchase 11,000,000 pounds of butter in order to maintain this market at the desired level. At this point where the market line again breaks there were circumstances that entered into the case where we felt that we should not stay in as the operating unit for market stabilization. As you will note, we only agreed to do the job until the Government could set up the machinery to do the work for itself, and it took them much longer to get ready to act than we had anticipated, but we did carry along many weeks longer than we originally agreed to do.

When the Government program was finally set up it operated on a purchase and bid program without making any special home for the surplus at a stipulated market price. You will note by the trend of this market line that the speculators got into the picture again and, when the Government was getting ready to make another purchase, they depressed the market so as to grab the butter at a low point and then made a bid on a higher quotation and manipulated the market to run it up at the time deliveries were made. This market line is a definite illustration of how a market can be manipulated when there is a small surplus that buyers and sellers can use for that purpose. These market lines indicate where the speculators got together and ran the market down and then, on delivery, would up it because they were bidding on a delivery of certain quantities of butter at a premium over the market on day of delivery. You can take every bid and delivery date and show exactly when each took place by the low and high in these market lines.

The funny part of this whole surplus scare was the fact that we really had no surplus at all. The market could have carried along on

the basis of this straight line and all these dips could have been avoided, all of which indicates a severe loss to dairy farmers and the economic welfare of the Nation as a whole. A stable, fair market is always inducive to high consumption, as consumers are always upset by wildly fluctuating markets. An item of 50,000,000 pounds of butter in excess of normal should not be a worry to either dairymen or the Nation as a whole, as this is only a little over a third of a pound of butter per capita, but does represent the production of a lot of bulky surplus that has been converted into a concentrated product.

The market stabilization that we operated at the time this chart illustrates gave us experience as to what could be done if a home were provided for surpluses that otherwise would have to seek a home of their own. In June of 1938 our butter market was again in a tailspin. The Department of Agriculture called a group of cooperative leaders to Washington to discuss with them a program of market stabilization that would protect the market at a level of 80 percent of parity. While I do not agree with past or present parity formulas, nevertheless it was the basis that we had to follow. Parity for agriculture is only parity when it gives agriculture equality with industry and labor.

This group of leaders got together and organized what is known as the Dairy Products' Marketing Association. The membership of this association consists of eight regional cooperative marketing associations. We put in just enough capital to incorporate it and set it up for operation. We then had an agreement with the Secretary of Agriculture and the Commodity Credit Corporation in which we set up our stabilization operation on the basis of the ever-normal-granary idea. We use the principle of grain loans on the farm, but everybody realizes that you cannot take butter and store it on the farm as you can corn, oats, and wheat. It is a highly perishable product and therefore must be handled in an entirely different manner.

We had an understanding with the Secretary of Agriculture that the butter that was needed for relief purposes should be taken from the surplus holding pool and out of the stocks that have there accumulated. Secondly, we had a deal with the Commodity Credit Corporation to the effect that we would operate this holding pool for butter in exactly the same manner as farmers operate the ever-normal-granary loan program on their farms. We were to seek loans on butter on the security and delivery of warehouse receipts with Government certificates attached indicating that the butter was in approved warehouses and that it was of a certain grade. The loan value, as I remember it, was around 28 cents, which was supposed to be 80 percent of parity. We had an agreement that we either pay our loan through the delivery of butter or in cash, the loan being a nonrecourse loan just exactly the same as loans on the corn or wheat in the crib on the farm.

However, I am going to say that there is a real fault in this method of handling a surplus holding pool, as I am firmly of the opinion that if the farmer produces a surplus he should be the one who should take the loss caused by the disposal of the surplus, but the surplus should not be permitted to depress the market on his total production. If he produces 10 percent more than the Nation requires he should at least get a price that will give him equality of return for his labor covering the 90 percent used in the home market. If he has to dispose of the other 10 percent at a discount, he can well afford to take this loss rather than take the discount price at which he must sell the surplus for the total 100 percent he produces.

We, as farmers, do not want to depend upon assistance from the taxpayers' pocketbook. We are willing to pay our own way, but we do want assistance from the Government in providing a means whereby we can dispose of our surpluses without affecting the price of the total production.

The new marketing corporation set up its headquarters in Chicago, and you may be surprised to know that when we finally got organized we operated a butter marketing stabilization program with a personnel of less than 25 people. We did this from June 1938 to 1942 and, if you will study the market during this period, you will note the absence of the dips and peaks in the butter market. There were few of these—occasionally the market would rise above the stabilized price but never went below.

We didn't interfere with anybody's production or marketing. All we did was to say "Anybody producing butter should market it wherever he wants to sell it, to whom he wants to, and in any form he wants to." We only stood ready so that if there were no buyers for the butter the Dairy Products' Marketing Association would take the butter on a basis of 80 percent of the parity price. Here is just what happened. We operated from 1938 to 1942, and at this time the war emergency cleaned out all the surplus on hand. During that period we handled what appeared to be 250,000,000 pounds of surplus butter, but which was actually not a surplus at all. Surpluses usually appear in the spring of the year during peak production at the time when farmers produce the most. It is then that he always gets the least for his product, and by no means does an average market indicate the actual price the farmer receives, because if he produced three times as much when the market is low as he does when the market is high, the average does not work out. Without interfering in any way with manufacturing controls, price ceilings, or anything else, we simply said "Here is a home for your butter. If nobody else wants it, we'll take it."

In handling the 250 million pounds of so-called surplus we made deliveries to the Government for relief purposes, but a lot of this butter went back into regular distributing channels. Whenever the market went above the stabilized price line, the Dairy Products Marketing Association sold butter and it went back into the regular trade channels. We did not in any way interfere with the normal merchandising operations of any dealer.

When we finally disposed of all the surplus we did so without any loss to the Treasury except that the Government bought such butter as it needed for relief purposes from the surplus holding pool and, of course, such purchases and deliveries into relief cannot be considered the responsibility of the farmer. He is only to take the loss on such sales as are actually disposed of in a manner that cannot be considered either relief or normal markets.

As I have already stated, this program was self-supporting. In fact, when we finally disposed of all surplus butter, the Dairy Products Marketing Association had over a million dollars left in its treasury. This is still intact and ready to start a program of stabilization if and when it is again needed. There is only one thing wrong with this type of program. If we had sustained a loss we would have had to go to the taxpayers to pay the bill and, therefore, we as cooperatives and members of the National Cooperative Milk Producers Federation

believe that we should set up a permanent program whereby any losses sustained in the disposal of actual surpluses should be made up through an assessment against the producers, which should be in the form of an equalization tax. This, of course, cannot be done except as it is made possible through some act of Congress, as no one in either a cooperative or other corporation has any authority to assess producers for losses. Everybody can get the benefits of a stabilization operation, but he does not need to contribute unless he so desires. Therefore, it requires legislation to bring about the desired results.

Mr. HOPE. That is essentially the McNary-Haugen plan?

Mr. BRANDT. Yes, it is something on the same order. The McNary-Haugen plan didn't carry through on a method of disposal of the surpluses; it did not have the pool operation but, in general principle, it operates in about the same manner as was suggested under this bill. If the Dairy Products Marketing Association had not been in operation or some similar method of stabilizing prices, butter would have sold for less than the farmer was paying for wagon grease. Back in 1933 butter did decline to a point where many farmers paid more for wagon grease than they got for their butter.

Mr. HOPE. Let's ask why you select this figure of 80 percent parity. I don't know why, but you had some reason, no doubt.

Mr. BRANDT. The reason we selected it was because that was all that was provided for under the act whereby farmers could secure loans on farm-stored grain, and we merely used the basis provided for in the law as it existed, but I want to be sure you understand that I do not consider the present formula for parity one that gives farmers equality of price. It is a makeshift set-up and needs a lot of improvement, as it does not take into account the item of labor in producing farm products.

Mr. HOPE. What I wanted to ask you is whether you thought you could have maintained the price at parity, if you had had the opportunity, just as easily.

Mr. BRANDT. Very definitely we could have maintained it at parity, and I feel sure that even under the most adverse circumstances we could maintain a parity price for that part of the farmer's production that is used in normal American markets. The only loss he would have to sustain below parity would be on the disposal of that part of his production which is surplus, that would have to be diverted either to foreign markets or into some channel such as the manufacture of grain alcohol and many other things that could easily be developed for the disposal of the surplus.

So far as butter is concerned, during that period of 1938 to 1942 when we really seemed to have a surplus an assessment of 1 cent per pound against the total production would have established a stabilization fund for the disposal of the surplus that would have given the farmer a full parity price minus what might be the possibility of a loss of this 1 cent per pound.

There was a period during the operation of the D. P. M. A. that we had over 100,000,000 pounds of butter in the surplus holding pool. We were doing some negotiating with the British Government just before the war broke out in Europe for the sale of 50,000,000 pounds of butter to England. There are a lot of people who say we cannot sell our surpluses in foreign markets. You cannot sell anything if you say you can't sell it, but I never saw anyone yet who wanted to

buy something and wanted to pay more than you asked for it. The butter on which we were negotiating a sale with England could not have been sold at the price we were getting for butter in American markets, but it could have been sold for a small discount and on a basis of world markets. Certainly, we have no hope of selling our products in world markets above world levels, but we cannot let the sale of surpluses in world markets at world levels depress the total American market without courting disaster so far as the future of America is concerned.

Mr. HOPE. On this particular transaction how much did you have to dispose of in other than the normal channels of trade?

Mr. BRANDT. Relief agencies took about two-thirds of what we had accumulated. That went into relief channels. Relief agencies were at that time giving away oranges, apples, and many other kinds of food. That was charity. Farmers should not have to supply food for charity, as that is the business of the Government as a whole and, therefore, any charity items should always be taken from the surplus holding pool and the Government pay into this pool the cost to the farmer so that the farmer would not have to pay the cost himself. He pays his share of the taxes the same as the rest of the people but, if the farmer disposes of any of his surpluses in foreign markets or through the development of some new use, then that is his obligation and he should pay the bill, and nobody else.

Mr. HOPE. Your idea, then, is that for any that might be disposed of in that way you should assess the farmer?

Mr. BRANDT. The farmer should pay for the disposal of his surpluses except that which goes for relief purposes. Certainly we cannot continue to subsidize everybody in this country. Congress is going to soon realize that we cannot appropriate any more money but that we will have to start cutting down on our expenditures. Otherwise taxes will have to be increased so high that the Government will take everything away from us that we earn and start giving it back to us in the form of subsidies and gratuities, and that is the straight road to communism.

Business is charged with the responsibility of furnishing jobs for workers and an outlet for farm products, but they cannot do it unless they have an opportunity to expand and exert their efforts. Pretty soon you will hear the same ones who are charging business with the responsibility of furnishing jobs, even though they do not have an opportunity to do so, accusing business of not doing it and, therefore, the Government must take over all business, and that is something we must avoid at all cost.

Mr. VOORHIS. I want to tie up what Mr. Brandt has just given us. Would this be a fair statement: Under this system of cooperative marketing and because your regional cooperatives were big enough and strong enough to do the job, what you did was prevent the price of butter from going down to the level it would otherwise have been driven to?

Mr. BRANDT. That's right.

Mr. VOORHIS. In view of speculative conditions and in view that prices would have declined in the flush periods of production, you held it at a fair average level based upon the real over-all annual demand of the American people. That is about what you did, isn't it?

Mr. BRANDT. That's right.

The CHAIRMAN. Now I would like to ask you this question. You have pointed out that your plan, which is virtually the McNary-Haugen plan—

Mr. BRANDT. It has features of it. I will go into a chart here that will give more explanation of it.

The CHAIRMAN. In connection with the dairy industry?

Mr. BRANDT. That's right.

The CHAIRMAN. And but for the war coming on, it would have continued to work?

Mr. BRANDT. That's right.

The CHAIRMAN. Is it your opinion that the same program could work with cotton?

Mr. BRANDT. It will work with all agricultural products. It could not work over a long period of time with one product alone because sooner or later we would shift production to the one product that had the market protection. If we maintained butter prices at a fair level which was comparatively higher than the price of other farm products, we would gradually pull production into that field. Butter is one item upon which the program would work longer than any other farm product because you cannot move into the production of butter as fast as you can other agricultural crops but, in order to make it work successfully over a period of time, it would have to include all major agricultural crops. The program should only include major agricultural products and not deal with specialized crops. If we make it possible for a farmer to have a reasonable prosperity by producing any of the major crops such as cotton, corn, wheat, hogs, beef, dairy products, and so forth, the question of his raising certain specialized crops such as seed, certified milk and others is a matter of the farmer's own determination and we should not involve a stabilization program in handling the deal. We cannot guarantee security from all hazards to everybody, as the people still are the Government and must carry their own responsibility.

The CHAIRMAN. Do you think, then, since we are working out a post-war program, that this principle should operate with reference to all?

Mr. BRANDT. That is right.

The CHAIRMAN. All commodities?

Mr. BRANDT. All major farm commodities.

Mr. HOPE. You mean all the important ones?

Mr. BRANDT. Yes.

The CHAIRMAN. The major farm commodities. Let me ask one further question: You took 80 percent of parity as the basis for your butter price?

Mr. BRANDT. We took that because the law said we couldn't do anything else.

The CHAIRMAN. The law said they would make a loan up to that point, but now would you say we could take the parity?

Mr. BRANDT. The parity, but not the present method of computing parity but a method of computing parity that is so definitely fixed by an act of Congress that some administrator cannot juggle it to suit himself.

Mr. FISH. I think that is right.

The CHAIRMAN. Then you would start from that figure for all foreign products, and you would eliminate the necessity for any loans?

Mr. BRANDT. That is right, no loans because you have made the sale and once you have marketed it, it is gone and you have received the parity price when you marketed it. The farmers in this Nation can never maintain their position unless we maintain parity for agriculture.

The CHAIRMAN. For example, here is your cotton. We, I think, will produce more than we can domestically consume in any normal year. There isn't any doubt about that. The local mills and local users of cotton would pay the price, the parity price, for cotton.

Mr. BRANDT. They couldn't help themselves because, if they didn't pay it, there is a place in the surplus holding pool for it to go.

The CHAIRMAN. Then you have here a farmer who sells to an exporter, or part of his cotton crop goes into export. That goes on the world market?

Mr. BRANDT. That is right.

The CHAIRMAN. Then the farmers, as I understand it, have an assessment on all of the cotton?

Mr. BRANDT. When you see this chart you will see that a basic assessment will go against all major crops and all the assessment will go into the pool and take care of the disposal of our surpluses.

The CHAIRMAN. Then they will make up the difference?

Mr. BRANDT. Yes; the farmer will pay his own bill.

The CHAIRMAN. And the American farmer will make up that difference?

Mr. BRANDT. The American farmer has to pay the bill himself.

The CHAIRMAN. In other words, a man produces cotton and it goes into the foreign market. He will get the parity price for that product?

Mr. BRANDT. He gets the parity price for all his cotton but that part that is sold in foreign markets. Therefore, the price he actually receives would be parity minus the equalization fee, which is deducted from the sales price at the first point of sale.

Mr. HOPE. He gets the parity price for all of it except you deduct the tax that he pays?

Mr. BRANDT. That is right. That tax he pays furnishes the money for the revolving fund of the pool.

The CHAIRMAN. That is what I was trying to understand. The tax that he pays and all the other men pay goes to help make up that difference, but the man who sells it gets parity for his cotton. Is that right?

Mr. BRANDT. Yes; except that the equalization fee is deducted from the parity price. The first figure on this chart (see p. 1694) deals with long-range planning and utilization of submarginal land. Such land should be withdrawn from regular cultivation and taken back into the public domain until needed to supply the necessary production. The withdrawal of any amount of land will not, however, take care of seasonal fluctuations in production and, therefore, this figure on the chart only illustrates the one step in a land-utilization program. The next figure on this chart represents the surplus holding pool. The Dairy Products Marketing Association that I spoke to you about before operated such a holding pool. Its operation should be in the hands of a board, not by any one individual, but a bipartisan board which has a long tenure of office, and the members of which are paid a substantial salary.

Mr. VOORHIS. Is this going to be a governmental board?

Mr. BRANDT. It would have to be a governmental board because of tax complications. You cannot turn taxes back to individuals, but this board and its activities should be governed by legislation that is definite in its limitations and restrictions and operates as an administrative body. The first appropriation to be made by Congress is to furnish the capital for its operation, but this appropriation would only need to be made once. The amount that we put in subsidies each year would easily furnish the capital for the operation of this pool.

The pool would not suffer losses in its operation, as the revolving fund would always be replenished through the imposition of an equalization fee or a tax on the first sale of the product protected by the price level of the surplus holding pool. Just as an illustration, this pool would operate on wheat, corn, butter, beef, hogs, and all other basic crops. The pool operation would have no control whatsoever over farm operations or where the farmer marketed his product. It would merely stand ready to accept the farm commodity at parity price, and certainly no one could buy the product for less than the surplus holding pool made a market for it at the established price. It could sell for more, but no one would sell for less.

The pool does not actually handle the commodity but accepts official warehouse receipts with Government inspection certificates attached as the evidence of ownership of the commodity and, therefore, its operation would not interfere with any normal business activity that is now conducted by elevators and warehouses. The pool operation would permit of the freest planning and operation on the part of the individual farmer. We would not try to direct the detailed farm operations of 6,000,000 farmers from some central point. It has been proven that to try to do that runs you into many hazards that cannot be controlled and the planners miss their calculations more times than they are right. We have seen the program of central planning in action for 13 years, and certainly in that time we have seen some very disastrous results. We should give farmers general assistance in the way of statistical information as to the crops most needed, but every farmer should and knows best how to operate his own farm.

As a representative of a cooperative, I am not asking for any special consideration for cooperatives. Nobody has ever heard me try to build up the position of a cooperative by saying that somebody else doesn't do the job for him. We build our cooperatives on a sound basis by educating our farmers into appreciating the advantages of bargaining for themselves and doing a complete job of producing and merchandising their farm products. If any farmer believes he can do a better job through any other processor or wholesaler, that is his privilege. We do not believe in coercion or membership or in having a third party force anyone to join our cooperatives.

The CHAIRMAN. That is what we have; is it not?

Mr. BRANDT. We are interested that everyone should have the freedom and guidance of his own judgment in handling his own business affairs. Freedom of enterprise is what made this Nation. The surplus holding pool will protect every farmer's price as every buyer, whether cooperatively or privately owned, can hardly expect to buy products from farmers unless he at least pays the price the farmer can get by marketing direct to the surplus holding pool.

As an example, if the pool were willing to accept butter at 30 cents and with a 5 percent equalization fee the farmer would receive 28½ cents for his butter at the market place, the 1½ cents would be absorbed by the pool in maintaining the appropriated capital for the revolving pool.

The CHAIRMAN. You fellows setting up that pool assume you are up there and the cotton farmer down here. Say we are going to pay you 15 cents a pound for it, but this processor—and that is where most of it goes, the ginner—he says, “I won’t pay you but 15 cents a pound,” and you boys say, “If you ship that cotton to us we will pay you 20 cents”—that is what you say—I say if it goes to 20 cents, you fix it at 20 cents. Then you say, “If you ship that cotton, Mr. Farmer, to us, we will give you 20 cents a pound.”

Mr. BRANDT. That is right. He has to pay for it or he can’t get it. The pool furnishes the basic competition and you either pay that price or you don’t get it. The farmer can do anything he wants to with his crop, but he is always protected by the price he can get at the surplus holding pool. Take wheat as an example. We have a basic equalization fee of 5 cents and want to maintain the wheat price at \$1. The farmer would get 95 cents for his wheat, the 5 cents would go into the revolving fund of the surplus holding pool.

In the case of cotton, instead of getting the full 20 cents, if that were the pool price, you would get 20 cents minus the 5 percent equalization fee. The farmer would always have parity minus the equalization fee, and this equalization fee is charged in order that the farmer pay for his own losses where the products are marketed in foreign countries or through certain types of chemurgic development.

Now, on this chart we have completed the illustration of how the farmer produces what he wants, sells where he wants to, but always has the pool operation standing ready to take his product, but he must pay the established equalization fee regardless of where he sells the product, whether through the pool or to some other buyer. In this manner every farmer is forced to pay his share of the loss sustained on his surplus production.

Mr. HOPE. Right at this point, is your board going to determine the amount of equalization fee?

Mr. BRANDT. Yes; the basic equalization fee should be a matter of congressional action, but the board should be authorized to make changes in the equalization fee to permit of the handling of excess surpluses.

Mr. HOPE. Let me ask you this question. Would you have an equalization fee in effect all the time?

Mr. BRANDT. I would have an equalization fee in effect all the time and have it just high enough to take care of the general average situation. The amount would have to increase under certain conditions, and I will bring out this point later. It is surprising how buyers will hang onto surpluses if they are sure there is a home for them because, when somebody else wants it, everybody seems to want it.

Up to now you have an illustration of the operation of the surplus holding pool, and now what happens to the products once they are in the surplus holding pool? Certainly we are apt to get more products in the pool than should have been placed in there and that may be needed back in the home market. You notice that situation in the butter illustration I have already given you. Whenever the normal

demand exceeds the supply of merchandise in the hands of the regular traders, the pool goes into operation and the products start from the pool back into normal consumptive channels.

If the Government needs commodities for relief purposes, Congress should provide that such relief needs should be taken from the surplus holding pool but at no discount, as it is everybody's job to finance relief and, therefore, the pool should not suffer any loss to be made up by the equalization fee for products that are used for relief purposes.

Now, as to new developments—you can all remember when we used to feed our horses from the grain we produced on the farm to produce the power on our farms. The production of nearly 20 percent of the farm acreage was used for feed for horses and furnished the power energy to operate our farms. Now the tractor does the job and, instead of producing our own power from the production of our farms, we get down under the soil for it, and we are fast depleting this source of power. Now is it beyond the realm of reason that this farmer, instead of going to his cornerib and his oat bin for his power that he might have some of this production transferred from the surplus holding pool into a processing plant that would make alcohol to be used for his tractors, should fall back on his own production of surpluses from his own farm for the production of at least part of his fuel? It has already been established that fuel made from alcohol with a water supplement has great potential power possibilities so far as the farmer is concerned, possibly far beyond anything any of us appreciate at the present time.

I cannot see why the farmer, who is often plagued by surpluses, should not have the opportunity to furnish his own power on his own farm and run a tractor with his own fuel the same as he did when he went into the cornerib or the feed bin to get the grain to feed his horses that furnished his power. So, it is plain to be seen that the need for developments of this kind can furnish a great outlet for farm surpluses, possibly not at the parity price but at a price commensurate with what he is now paying for power, and any loss sustained through this diversion of farm crops would be made up out of the equalization fee.

Take the matter of cotton. I can easily visualize the cotton that is piled up and going to waste could be easily made into a product to pave roads, if we couldn't find any other outlet for it. I can think of hundreds of things we could do with it. Of course, you couldn't get the price for the cotton used for this purpose that you could if it were made into a hat or a shirt, but this could be considered a development that is not your normal market and, therefore, the losses would be financed by collections through the equalization fee method. Then take our foreign markets.

The CHAIRMAN. Pardon me just a minute. I come from a cotton-producing district, one of the biggest in the country, and I am very much interested in the future of that product.

Mr. BRANDT. So am I because I don't want you to go into the dairy business.

The CHAIRMAN. That is right, and we could do it. Now, we make a loan on cotton of—it is now 95½ percent of parity.

Mr. BRANDT. How did you ever get that amount? It is more than I can understand. We can't get that much of a loan on our northern crops.

The CHAIRMAN. Congress passed that law. Now, the Government with these loans has come into ownership of I don't know how many millions—I believe something like 10,000,000 bales—of cotton. In other words, that cotton is in that pool and, I might say, is Government cotton. Maybe there is not quite that much because evidently somebody has not bought that cotton, has not needed it. Of course, we know the foreign markets have been closed because of the war. Of course Federal relief has not been using it, and someone is trying to do something about new uses. What I am thinking about is this: Might we reach a situation where that pool would have too much cotton or so much surplus wheat that the equalization fee wouldn't take care of it or wouldn't give you enough purchasing power to buy that much?

Mr. BRANDT. If you will wait until I get through with this chart I will have answered that question. One of the reasons you are now stacking up so much cotton, more than you should, is because back in the old Farm Board days we started a program of accumulating surpluses without any thought as to how we were going to get rid of them after we got them. You held up the price of cotton so high that you gave the world our cotton market, and they developed it under the umbrella of the American protective markets. The world was short of cotton and needed ours. We held the price up instead of finding a way to give it to them at a world market price. We held an umbrella over the situation to the extent that we only exported what they couldn't produce for themselves. They took only what they needed from us and went on and developed their own markets. We went ahead and held our cotton off the world markets, let our surplus pile up and took losses on it while the world increased its cotton production to take the place of that which we usually produced for foreign use.

The CHAIRMAN. Assuming we had a foreign market now, we would be confronted with that same situation now, wouldn't we?

Mr. BRANDT. We would be confronted with it and, in any case, you are confronted with the proposition of selling in foreign markets at world prices. It takes salesmanship to sell in foreign markets as well as any other place and, whenever the board determines a surplus exists in the surplus holding pool, anyone should be permitted to withdraw products from this pool and sell them in foreign markets and, upon the presentation to the pool of a legitimate foreign transaction, should be permitted to make deliveries and be paid a commission on the transaction. This would keep the business of selling and merchandising in the hands of the regular business people and keep the Government out of business so far as possible.

We may need to have some reciprocal trade arrangements that will encourage the trade in our surplus products. I am sure that if we had this arrangement in cotton whereby products could be withdrawn from the surplus holding pool for certain new American developments and for foreign markets, we could easily dispose of our surpluses. Many people say we cannot sell in foreign markets because it would be considered dumping. Everyone of us knows that right now Russia, England, and other countries are making arrangements for their raw materials to be ready for business following the war, and they are making these arrangements where they can make them the best. They won't come to America and pay the price we think we need in

order to maintain the American standard of living. They will go to other markets for their products and come to us for what they can't get other places.

If we permit the sale of American surpluses in these markets at the prices which they can afford to pay at world markets, we will help American farmers and also help these countries raise their standard of living because they will be able to get products at a price which is in keeping with the limits of their pocketbooks, and we will help to maintain world peace by being able to feed other people at a price at which they are able to buy. People must have food or they will get unruly. We are already facing that—people are turning their guns around on us because they expect something to eat and are not getting it.

The CHAIRMAN. It is an admitted fact, I believe, by most economists that about 5, or whatever the percentage is, or 10 percent, that surplus is the thing that operates against our prices in this country.

Mr. BRANDT. That is right. Supposing you have a hundred units of a given product and you have 10 units too many and you try to let the 10 units find their own market. The 10 units will set the price of the 90. If, on the other hand, you make a home for these 10 units that are surplus through the operation of this surplus holding pool, you are making a home for it at a price level that will bring all of the 90 units up to the parity price level. Then, if you take out of this pool the 10 units that are surplus and sell them for only 50 percent of what the 90 percent sold for in the home market, you will only have a loss of 5 percent and you will still have the sure price for 95 percent of the total. If you do not do that, your whole price structure will break down to the level at which the 10 percent will find a home.

If we are to continue to let farm prices be governed by supply and demand we will have to do away with all other regulations governing labor, immigration and protection for manufacturing groups. Let the farmer take off his coat and go to work and I venture to say that in a free world without having to compete in a protected market he would hold his own with any farmer in the world. If we are going to have the farmer compete with the world as a whole, then we are going to have to deal with matters that involve our monetary system and all regulations of hours, wages, and industrial earnings.

We cannot maintain prosperity to agriculture by suspending his future on the cord strings of prosperity to other groups. His surpluses will not only break down his prices but will tear down the high standard that we try to maintain for other groups. If we are going to maintain our high national income following the war, we are going to have to protect farm prices and make farm prices the basis of prosperity rather than suspend agricultural prosperity to the cord strings of other groups.

This Nation is getting into the philosophy today where we are teaching ourselves that we can do less and have more. We hear so many people say today that we cannot afford to buy the things we need because they cost so much. The cost of living is too high. The general feeling is that farmers are getting too much and that is the reason the cost of living is too high and, yet, when we really figure it out, most of what goes into the high cost of living is the in-between operating cost. The price of the raw material has very little to do with the price of the finished product.

We should remember that if we want to buy more with what we earn we will have to produce more for the pay we get. We will never have prosperity through the accumulation of scarcity. It is only when we produce plenty that we can buy a lot with the money we raise and that does not only apply to the farmer but everyone, from the farmer to the ultimate consumer. The purchasing power of the farmer is a tremendous item. Thirty-five million people living on farms furnish a great purchasing power, and it is the basic foundation that will affect high wage levels and industrial earnings.

Mr. HOPE. I want to ask a little about the mechanics of the exports. Now, if I understand you correctly, and I want to be sure that I do, I am going to consider myself as a cotton exporter, and I will go out and make a sale at the competitive world prices. Now, I want to come to you to get my cotton; is that right?

Mr. BRANDT. If there is anything in the pool and, if there isn't anything in the pool, you will have to run your own show. However, if there is something in the pool and it is declared a surplus, you can withdraw it at the world price.

Mr. HOPE. But you would let me have it on the competitive world price and you would pay me a commission to sell it?

Mr. BRANDT. Yes; you deliver to the board controlling this surplus holding pool the documentary evidence that you have sold it in a world market at world prices and you will receive the cotton to make the delivery and a commission for having carried out the sale.

Mr. HOPE. Who would be a dealer, then?

Mr. BRANDT. Anyone who has made the sale and can make delivery would be a dealer.

The CHAIRMAN. Supposing that I am a cotton exporter and I go down here to this cooperative marketing that you show over here or to a processor or to a wholesaler and I buy cotton. I can buy from him, can't I?

Mr. BRANDT. Yes; you can.

The CHAIRMAN. But I have to pay the price in the pool?

Mr. BRANDT. You don't have to if he will sell it to you for less, but I am sure nobody would be foolish enough to do that.

The CHAIRMAN. That is right, because the pool will give it to him. Then, he sells it to a fellow in England at the world market price?

Mr. BRANDT. Not if he buys it direct from the farmer. His sale is his own responsibility. The only place he can sell it in the world market at a discount is when there is a surplus in the pool and he is authorized to take the cotton out of the surplus holding pool.

The CHAIRMAN. I would like to have that line direct there from the cooperative up to the foreign market explained.

Mr. BRANDT. He can always sell to a foreign market if there is none in the pool and at a world price level. If there is no surplus in our pool, it is likely the world price will be equal to ours but, if there is a surplus, we cannot afford to hold the umbrella over world prices.

Mr. VOORHIS. You say the world price will come up to ours?

Mr. BRANDT. That is right if we have no surplus and they need cotton.

Mr. VOORHIS. Why?

Mr. BRANDT. If the world does not have enough cotton they will have to come and get ours and if we haven't a surplus pressure on world prices, we will naturally find a good market.

Mr. VOORHIS. What you mean is if the world has no surplus.

Mr. BRANDT. That is right.

Mr. VOORHIS. However, it would not follow, because we did not have a surplus.

Mr. BRANDT. If the world had a surplus they would not want ours at our price. Our trouble is that we feel that we have no way of selling our surpluses at a world market except at the price at which we can afford to buy it in this country. We have great productive possibilities and can maintain high prosperity in our country and help the rest of the world if we will find a way to give them what we do not need at a price at which they can afford to buy it.

Mr. VOORHIS. This thing sounds very good, and I have been trying to find out what is wrong with it, and I don't know that I have. However, here is what I want to ask you: As I understand it, you assume absolutely no type of production control?

Mr. BRANDT. Just wait a minute. You are getting ahead of me. I may show you some of these features before I get through.

Mr. VOORHIS. All right, I will wait.

Mr. BRANDT. There is one thing I haven't fully explained and that is the question of having an expected surplus that was not really a surplus in our own country; some of this product would have found its way in the pool and then would push outward and we would get it back into our own markets. We do not want the pool to carry all the Nation's seasonal surplus and, therefore, if any of the products that are to be used in home markets find their way into the surplus holding pool and our dealers have misjudged or deliberately put it into the pool and want to get it put back into our own markets, naturally our own market will rise and they should be able to take it out at the price at which it went in. If they put too much butter into the pool as you noted in my previous illustration and they wanted to take some out again, they had to pay a profit to the pool, all of which helped finance the revolving fund to the pool.

Mr. VOORHIS. Are you going to say to the managers of the pool that they cannot sell commodities out of the pool unless they charge that?

Mr. BRANDT. That is right. If it is to be used in ordinary domestic markets, otherwise, everybody would be putting their products in the pool to make the pool hold all the surplus and we would destroy our whole marketing system. We have had an illustration as to what happens to our markets when our Governments starts to sell commodities back into the market. They immediately break the market but, if they cannot sell it back below the pool price plus a reasonable carrying charge and a penalty for having put it in the pool, there is no danger of breaking our market.

Remember, I do not advocate holding products in the pool regardless of how much may accumulate. I have already told you that there are outlets for American use and in foreign markets that will absorb our surpluses at prices below the pool level, the loss to be made up through the equalization fee.

The CHAIRMAN. May I interrupt at this point? Would you object to having a small print made of the charts you have presented?

Mr. BRANDT. I have some prints here with me that I will give to you.

The CHAIRMAN. I want it in the record.

Mr. BRANDT. These are rather old and the reading matter that goes with them may not be too clear but, after you have heard my explanation, you will be able to follow the charts very easily.

The CHAIRMAN. All right, that is fine.

Mr. BRANDT. Before I go further I want to give another explanation of the variation in the equalization fee. We sometimes have shifting crop production that creates excessively heavy burdens with respect to certain crops. The basic equalization fee should be applied to all major crops but, if we get rather a heavy shift to any one item, then this particular item should be assessed a higher equalization fee, which would automatically change the income to the farmer on that particular product and, by shifting too heavily to one item, we might be short on another with a resulting price increase above the pool price, but the equalization fee would not increase in that respect.

We might in the operation of the pool have an equalization fee of 5 percent over all, and this might be raised to 7 percent, 10 percent, or whatever is necessary where a certain crop furnished the surplus holding pool beyond a certain weighted average that could not be financed with the 5-percent equalization fee. Increasing the equalization fee would automatically control shifts in production, as it would have a tendency to decrease certain prices a certain percentage degree below the parity basis. The pool could easily handle items such as beef, pork, wheat, corn, butter, poultry, and eggs, but we should not go beyond crops that are considered basic crops, otherwise we get into too much detail in specialized crops and we get all tangled up with what we are trying to do. If farmers have a decent income on these major crops, it is their privilege to shift to specialized crops if they want to.

The complete operation of this plan may require further development of marketing agreements but, remember, marketing agreements will not work when applied to the entire crop. Marketing agreements only work when they control a market for a certain type of product and, when the surpluses appear, these surpluses are shifted into other processes. This is illustrated in milk. Marketing agreements work all right for milk so long as there is a place to dump the surplus fat by manufacturing it into butter and cheese, but, when we come to take the whole product, it requires a surplus holding pool to do the job. If a surplus holding pool handled butter, cheese, and dried milk, marketing agreements would easily take care of the fluid-milk markets.

I want especially to have you understand that changes in the equalization fee will be necessary and will be effective in balancing production among the various major crops.

Mr. VOORHIS. Just a moment, I want you to give that to me again.

Mr. BRANDT. Well, just take wheat and butter, for example. Say we have \$1 wheat and 30-cent butter. The 5-percent equalization fee on wheat would bring the farmer 95 cents; the 5-percent equalization fee on butter would leave the farmer 28½ cents. All right, wheat seems to look better to the farmer than butter. We do not want to control his ideas, therefore he goes heavily into wheat. The production of wheat starts to overload the surplus holding pool. When he increases wheat, he decreases butter, and there is no butter in the pool. Therefore, the butter price might conceivably go above the pool price. The butter price might go to 40 cents. His equalization fee would

still be 5 percent of the 30-cent pool protection price and, instead of the farmer getting 28½ cents, he would get 38½ cents for his butter.

Now, with respect to wheat, he overproduced and the surplus piled up in the surplus holding pool. He certainly could not get more than the \$1 but, if we increased the equalization fee because wheat overloaded the pool beyond the ability of the basic equalization fee to finance its operation, it would be necessary to increase the equalization fee on wheat to 10 percent. Therefore, instead of getting 95 cents he would only get 90 cents. You can easily see how a change in the basic fee would influence the switch in production, but at no time should the equalization fee be changed unless excessive production in certain lines overbalanced their weighted average in the surplus holding pool.

Mr. VOORHIS. That would be within the discretion of the board?

Mr. BRANDT. Yes; but only when wheat or certain other commodities contributed more than their share to the surplus in the pool.

Mr. VOORHIS. How do you determine the proper contribution? Do you determine it on a historical basis, or how?

Mr. BRANDT. Within the limits of the pool to finance the losses on surpluses out of the 5-percent equalization fee, everything rests on that basis, but let me say again, when certain items make excessive contributions then such commodities must bear a heavier equalization fee.

Mr. VOORHIS. In other words, you would make the adjustment on a basis of whether or not it is costing more to handle certain commodities.

Mr. BRANDT. Yes; you are making your adjustments on certain commodities as they make contributions beyond the ability of the 5-percent equalization fee to finance such surpluses. When we reach the point where our surpluses as a whole too far exceed the ability of the 5-percent equalization fee to handle the surplus, then we should inaugurate a program of production control, but not until then.

The CHAIRMAN. How much money would it take to finance a pool or finance these products?

Mr. BRANDT. If you put a couple billion dollars into the pool I believe that would be sufficient. We talk in billions now, so what's a billion more or less? There's another feature in this surplus holding pool operation which is important. Prosperity is definitely tied to the ebb and flow of currency. There is little question about that. In this surplus holding pool you have a 2-billion-dollar appropriation that is not going to be dissipated. It will always be the property of the pool. The money will either be out in circulation or in the hands of the pool. When times are good and commodity sales are active there are no commodities in the pool and then the money goes out of circulation. The minute surpluses appear, and they always appear at times when trading is not too active, the money automatically goes out into circulation.

Through the operation of a surplus holding pool you have the foundation of the much-wanted commodity dollar. It may be heresy to say that you could print money for the operation of this pool, but it is no worse than the money we are printing now. If we were printing money to use as a revolving fund it would always have a guaranteed backing when the money was out in circulation, as it would be backed by commodities and a program of guarantee that these commodities when sold would not create a loss to the pool. I would rather have

money that is issued against an actual usable commodity than some of the money the world is using today.

Mr. VOORHIS. I agree most heartily with what you just said.

The CHAIRMAN. As I get it, when there is no surplus in the pool and the fellow sends a bale of cotton or a bushel of wheat into the market, he pays that equalization fee and that goes to the pool.

Mr. BRANDT. That is right.

The CHAIRMAN. So you build up a surplus there.

Mr. BRANDT. That is right.

The CHAIRMAN. When you have no surplus in the commodity pool, you mean.

Mr. BRANDT. That is right. If the Government made an appropriation for the use of this pool, remember that this appropriated money would not be in circulation unless you had surpluses. On the other hand, if you have surpluses, and surpluses do occur when nobody wants them, the market becomes stagnant, and then what happens? The \$10 bill that you may have in your pocket is kept there for some time and does not circulate. On the other hand, if you have good times, the same \$10 bill may turn over two or three times in the same day. That gives us an active flow of currency.

We are creating money every day with every bond issue that is put out, and these bond issues are creating credit that is floating around. Only a small part of the money that is floating around in America today comes from the production of wealth, and every bond issue is inflationary to the extent that it brings new money into the picture and, when this war is over, we must remember that all the E bonds are a current liability against the Government and, if people once get the idea that they would rather have commodities than E bonds, inflation is on.

Mr. VOORHIS. The E bonds are not inflationary bonds. You do not mean to imply that, do you?

Mr. BRANDT. The inflationary possibilities come when people decide they want to cash the bonds and buy commodities with them, and don't let us fool ourselves—that time is coming.

Mr. VOORHIS. Just a moment. You mean that all of the bonds might at some future time potentially increase the buying power of the country, but the effect of the sale of E bonds today is not immediately inflationary?

Mr. BRANDT. The effect of the sale of E bonds today is a method of stabilization so that each man will have something with which to pay his income tax when this is over. Every bond that is outstanding is an asset on the ledger of the buyer. It is a liability on the side of the Government, but they have a tax lien against your ledger asset. So long as we can keep these bonds scattered among the great masses of people and keep them from cashing them in, it is anti-inflationary, but the minute we start the run, it is like a run on a bank, and the Government will have to turn around and borrow more money to retire the bonds from those who are holding them, and this money will be borrowed from financial and banking institutions, as it is the individual who holds the E bonds who is going to do the cashing.

Mr. VOORHIS. However, when you sell bonds to commercial banks you are immediately selling bonds that will be inflationary because new money is created immediately.

Mr. BRANDT. That is just what I have said. So long as the buyers of E bonds hold them they are an obligation against the Government

and, if we all retired them at the same time we would pay our income tax to pay off our bonds. The minute the masses start to cash the E bonds, the Government either has to print money or borrow from commercial banks and other financial institutions.

MR. FISH. What you mean, to all intent and purposes, is that these bonds are money?

MR. BRANDT. Certainly they are money. I can walk into any bank and cash them, and what happens when I cash them? I immediately turn them into money, and this money goes into circulation and the Government must either get the money to retire these bonds through taxation or further borrowing from large financial institutions or they will have to start printing money.

MR. FISH. Are you going to say anything about milk? You talked about butter, didn't you?

MR. BRANDT. I am talking on general commodities. Remember, this won't work alone on butter. It has to be on all major products.

I do want to say something about production control. There may conceivably come a time when the surplus production may be so much in excess of our normal requirements that some form of production control will be necessary, but this control must be actual control and must actually take the acreage out of crop production. Past programs have been largely crop switching, and many farms that have followed the provisions of the production control program to the letter have never had an idle acre. Take my own farm in Meeker County, for instance, a farm that I have operated and still do operate myself. I have complied with every single production program absolutely to the letter, but during all the time of production control I have never had an idle acre. I have, with being in complete compliance, switched production and, of course, that program is wrong.

Production control is only production control when it actually withdraws acreage from harvested crop. Soil conservation is a program of national interest and national responsibility. We who operate farms only have tenure of the land. The soil belongs to future generations and, therefore, there is full justification for soil improvement programs and benefit payments made on that basis.

In the past we have had a program of production control that applied to each individual farm; the bigger the farm, the more the acreage and benefit payments. Some western farms had land that never had been under cultivation, and many of them made more money out of the benefit payments than through the actual cultivation or their land.

This chart (see Exhibit 3, p. 1697) is an illustration of how the production control program applied to all farms and, therefore, in order to get compliance, rather large benefit payments had to be made, otherwise the small farmer would not comply, as he had the help and machinery to operate his full farm and could operate it economically.

Remember, I am not for crop control until it is actually needed and, when we do need it, it should be a matter of removal of the acreage from any harvested crop. We should make the control by areas and allocate a certain amount of acreage that is to be taken out from under production and then take this land out on a rental basis whereby we accept the rental of whole tracts of land on a basis of the lowest bidder. Such land could be posted and put under contract to keep down weeds and carry on soil practices, but no crop should be planted

or harvested. It should be posted to the effect that this land has been rented and the original owner is receiving benefit payments. The provisions of such contracts for rental should be public knowledge and everyone should know what these contracts contain.

You can be sure that those who have rented their land to the Government and are paying for the removal of acreage through their equalization fee would watch to see that cows did not run on the land for pasturage that is rented to the Government and that the weeds were kept down and other soil practices carried out. This program of actual removal of the land could apply very well even to fruit production. Instead of destroying the trees you could destroy the fertility of the blossoms in the spring, and such acreage could be kept out from under production exactly the same as other farm acreage. There may be geographical crop control programs that would apply in a greater percentage in certain regions than in others. If, for instance, cotton were overexpanded and we did not have an overexpansion of other crops, the acreage removal could apply geographically in the areas that are overproducing cotton or on a voluntary rental basis. This would eliminate crop switching.

Mr. VOORHIS. How do you know you will reduce wheat production?

Mr. BRANDT. You will reduce any acreage where surpluses appear. This is automatically brought about by the fact that when a certain item of production becomes excessive with respect to its contribution in the surplus holding pool, the equalization fee is increased and you just naturally reduce returns on that item and make it more profitable for the farmer to produce the one with the lower equalization fee.

Mr. VOORHIS. That is a different question.

Mr. BRANDT. It is a factor, however, that enters into this whole picture. Remember this: Relative price levels usually determine production trends.

Gentlemen, you have my story and I do not want to keep you any longer. I thank you very much.

The CHAIRMAN. I think you have made one of the most interesting and informative statements that I have heard in some time, and in behalf of the subcommittee I want to thank you for your presence here today and for this statement.

Mr. BRANDT. I wish to say this; that I claim no special credit for this presentation, as it is only made on the basis of experience in connection with other farm cooperatives, and I have presented to you the program as has been discussed and worked out among the various cooperative groups. I am giving each one of you a copy of the charts that I have presented and a detailed explanation of each procedure with respect to the operation of the surplus holding pool.

The CHAIRMAN. We are now to hear from Mr. Karl Brandt, Food Research Institute, Stanford University.

TESTIMONY OF KARL BRANDT, FOOD RESEARCH INSTITUTE, STANFORD UNIVERSITY, CALIF.

Mr. ARTHUR. May I mention parenthetically that Dr. Brandt was in Chicago and I imposed upon him to ask him to appear before the subcommittee without giving him time to prepare a statement. Dr. Brandt, however, is so thoroughly familiar with the problems, particularly the world aspect of some of the agricultural problems, that

I thought it would be a great help to this committee to have an opportunity to hear what he has to say.

He may not want to cover all of the problems of agricultural adjustments as mentioned in our invitation to some of the other witnesses, but I believe on the particular subject that he wishes to present to us we will profit greatly by his observations.

The CHAIRMAN. I am sure we will enjoy hearing from him.

Mr. BRANDT. Mr. Chairman, I have heard about your invitation to appear before the committee only yesterday through Mr. Arthur and have had no time whatsoever to prepare anything. I will try, therefore, to draw on the studies that have been carried out in the Food Research Institute by my colleagues and myself during the last few years.

It is my impression that the general situation in the world markets may not be quite so comfortable for American agricultural exports as it seems to be generally assumed. Some of the assumptions of the preceding witness, Mr. John Brandt, about the always present and insatiable demand of the world market are hardly in tune with the facts. The war has done a great deal of damage to agriculture on the European Continent, but the major part of the actual physical destruction lies so far in Soviet Russia. In large parts of western and central Europe, the damage has been amazingly small. That goes in spite of heavy local losses for France and Belgium. What the ultimate damage in Holland will be we do not know. The flooding which the Germans and the Allies apply there may have its evil effects for a number of years.

Mr. VOORHIS. How about livestock in France and Belgium?

Mr. BRANDT. The cattle herds in France and Belgium including the dairy cows have been maintained remarkably well. During the assault in 1940 about 10 percent of the French cattle was lost but from 1941 on gradual recovery took place. From the various reports that we receive it appears more and more that the Frenchmen have either succeeded in evading many of the restrictive measures of the Germans or the Germans assisted in reorganizing French agriculture because they wanted to stay and needed the output of French war industries much more than French food.

I do not claim that the dairy cattle herd in France is already yielding again as much milk as it did before the war. Agriculture in general suffers from the fact that the French transportation system is badly shot to pieces, but there is no reason to assume that after reconstruction of the railroads and trucking and restoration of more normal markets the French farmers will not be able to produce very shortly again the same amount of milk, butter, and cheese, beef, veal, poultry, eggs, bread, and potatoes that they did before. I expect them to produce at least enough for France and perhaps some products for export.

In Italy the Allies have taken so far mostly the "bones" of the country. The most productive agricultural areas are to be found in the immensely fertile Po Valley, which is still solely in the hands of the Germans. We do not know how much damage will ultimately be caused when the Germans are forced to retreat.

Well, I don't want to go down country by country, but on the whole there is at the present time no indication that up to date the productive capacity of European agriculture has been damaged to such an extent

that we could anticipate that there would be for a period of 6, 8, or 10 years a vast market for American agricultural exports.

In Russia the recovery of grain production and crop production is on its way. It will take Russia a long while to get the livestock back to the pre-war level. Livestock was, even before the war, short. However, I do not see yet that beyond the period of international food relief there will be a vast market in Europe for our agricultural commodities. In saying that I make many assumptions which I cannot prove and which anybody can challenge. I assume for instance that Russia will have a considerable economic influence upon her western neighbors, including the Balkan countries which have always exported agricultural commodities. I am referring particularly to Rumania, Bulgaria, Yugoslavia, Hungary, and Poland. The three Baltic states which exported food to England are absorbed, anyway, and their agricultural export worries are over. They will feed the Russian market.

Some people conclude that since these agrarian surpluses will go in the future to Russia the remaining industrial part of Europe will have to buy so much more from the United States and other countries overseas. I think that may turn out to be an illusion, because one of the great question marks there is to what extent these countries will be able to pay for such imports. Agriculture is, after all, the industry that can be revived with the least amount of large-scale investment. If you have skilled farm people and you have land, and the urban population is desperate because of large-scale unemployment, the chances are that the governments will first of all create more employment in agriculture. Even with rather primitive methods one can produce quite a lot.

Moreover, it is questionable whether European industrialized countries which before the war obtained such a high level of food consumption and diet and nutrition can afford to restore such levels by heavy food imports.

One of the solutions for western Europe's food problem will consist of maintaining a very frugal diet or the same policy which we have seen operating to our amazement during the war, when the nations behind the blockade turned the clock back in their nutritional history by 30, 40, or 50 years, tightened the belt, ate less meat, less animal products in general, and more cereals, more green vegetables. If these nations cannot export enough industrial goods and thus acquire the foreign exchange to pay for large food imports they will maintain the diet that was habitual in the poorer countries before the war, and as it was in the wealthier countries generations ago.

I cannot see in the slightest how any governments that struggle desperately with their budget and cannot quickly revive their exports of industrial goods can choose any other way. If need be they will maintain rationing for years and they will forego the costly foods until gradually, out of their own strength, they arrive at a solution. Rapid and effective reconstruction of agriculture and maintenance of food economies will probably take care of a large part of this fictitious vast demand of continental Europe for our agricultural exports.

It is not impossible that industrial countries in Europe may absorb substantial amounts of food coming from other parts of the world. If a full swing industrial prosperity would create full employment in many of these European countries, if money would flow more easily

and the masses could spend freely for consumer goods again, it is theoretically conceivable that they would eat more of the more costly types of food.

However, if I try to place myself in the position of one of the administrators in any one of these states there in Europe that have suffered so much from the war (and I do not think particularly of Germany) it occurs to me that the first thing I would do is to rebuild durable goods that make life livable—the houses, schools, hospitals, roads, bridges, and power plants. That will absorb a large part of all incomes. Therefore the people will have to tighten their belts, spend little on food and much more on shelter, fuel, transportation, clothing, and other goods, besides paying high taxes. There will be enough purchasing power for bread, potatoes, cabbage, and carrots, but not enough for plenty of butter or meat or eggs, to say nothing of such luxuries as real ice cream, which the Europeans could not afford even before this war.

I anticipate that every effort will be made in Europe to stimulate agricultural production with subsidies. In some countries the government may go so far as to lend the farmers the most costly farm machinery at a nominal cost. Governments will try to save whatever foreign exchange they can secure for the goods that are needed to rebuild the basic industrial economy for railroads, for building roads and bridges, and for rebuilding the cities. They will not use it for giving their people an optimum diet by way of big and costly imports.

Summed up these hasty observations should remind the American farmer that it is very treacherous to rely on the expectation that the foreign markets will absorb at good prices any amount of agricultural surpluses which may bother us here. Within 2 or 3 years after VE-day it is quite conceivable and even probable that American agriculture will have to shrink its output very substantially and that it will be very hard to place on the foreign markets any very large amounts of foodstuffs from our country.

If we want to place food surpluses abroad it has to be on an equal footing with the products of other competitive countries in quality and price. I cannot see, for instance, why a European nation that is hard pressed to get back on its feet should buy wheat, meat, or dairy products from the United States if it can get the same products at say 15 or 20 percent less from Canada or Argentina or some other country.

The CHAIRMAN. What do you think the results of the International Food Conference in Hot Springs some months ago will have in solving the food problem of Europe?

Mr. KARL BRANDT. Well, the United States Conference on Food and Agriculture which had a high level of discussion and was borne by a noble spirit of advancing the welfare of the nations was, at the same time, very realistic and cautious in making assumptions about the possibility of improving the diet of nations quickly. It laid great stress upon the axiom that each nation is responsible for the nutrition of its people.

While all nations strive hard toward the goal of an improvement in the diet we must see also, if we want to keep our feet on the ground, that nations can improve their diet in the long run only insofar as they succeed in increasing their social product and in contributing more goods and services to the international community.

In other words, nations can ultimately improve their economic status and their plane of living including their diet only by their own work. It seems to me quite fantastic to believe that even with the tremendous wealth of the United States by giving away free huge amounts of food, we can do more than just temporarily improve the food situation of some social group or some smaller nation.

Of course, if we would concentrate on food gifts on such a small population as that of Greece, for example, we could, if we wanted to make the sacrifice, lift the diet of the Greeks to a substantially higher level. However, even if that were done, I do not believe that one has actually accomplished much. Beyond a temporary emergency the recipients of such gifts may be impoverished by them by having become social wards of the donors. So far as I know, all nations are reluctant to build their economic policy on the assumption that they will take for a long stretch of years food or other goods as a gift. That is true for all of the nations where statesmen are surviving for the very good reason that living on charity diminishes a nation's economic and political standing, while buying restores it. When you buy food you gain the first opportunity of selling in the world market and of reconnecting your country with the normal international flow of goods and services. A Norwegian, a Dutchman, or a Dane, or any foreign statesman, knows that. The tendency of all nations is therefore not to take gifts, but to obtain credit if free funds are lacking, and to enter foreign trade as a self-respecting party. Once a nation buys it will place its orders where it can get what it wants at the least expense, or where it can drive the best bargain in selling its products.

Mr. HOPE. Could I interrupt you right there? I am thinking of wheat. After the other war, practically all of the nations of continental Europe put restrictions upon the importation of wheat, not only high tariffs, but import quotas and other methods of restricting importations, and they also paid bonuses and subsidies to their own producers to induce production of wheat and, I presume, of other commodities, but I have not looked into that so much.

Do you think the same thing is likely to happen following this war in an effort to become self-sufficient to improve their foreign-exchange situation?

Mr. BRANDT. Many of these nations did not subsidize domestic food production immediately after the war. Most of them began with tariff protection in 1924 and 1925. Import quotas and other forms of protection were introduced only in the last years of the twenties and the early thirties.

But to answer your question for the future: There is reason to believe that the tendency will be strong to maintain high import duties, quotas, and other forms of protection for the farmers.

Mr. HOPE. You say stronger?

Mr. BRANDT. It will carry on. I don't think the urge for farmer protection in Europe needs to get any stronger. It was driven to excess before this war. However, I do not mean to say that it is impossible to change that situation, but that to change it would require very large trade concessions on our side. The United States would have to make it a well-paying proposition for these nations to follow a different course and not to subsidize domestic food production.

Mr. VOORHIS. What kind of concessions?

MR. BRANDT. Concessions either in the form of large loans on long terms from the United States, which is perhaps the less objectionable form to our producers and laborers here, or of tariff reductions. If other nations can get from us a loan, say, for 15 years with no heavy instalment to repay in the meantime, they may make enough adjustments in their agriculture and industries to get along and may forego high-cost food-production subsidies.

The other much more effective concession would require a lowering of our import duties in multilateral trade agreements. A country like Switzerland, for example, produces wheat at a terrific price, mainly as a matter of national security in case of war. To persuade the Swiss to import a major part of the wheat they need it would be necessary to open the American ports to low-duty importation of Swiss watches, of fine mechanic products, or of certain types of electric engines. The discussion of exports of American farm products comes right back to the opening of our foreign-trade doors. We cannot build real peace on the assumption that we can somehow coerce other nations into buying our goods through cartel or quota arrangements.

MR. VOORHIS. May I go back to your loan for a minute? If the loan can start you, that is not the real concession, but the real concession is when you make a loan and you assume that the other country is going to pay the loan back, you commit yourself to an excess of imports from that country over your imports to it.

MR. BRANDT. Yes; you delay the question of receiving payment. You postpone it into some future time, but that gain in time may be vital for making the necessary adjustments in our domestic industries.

MR. VOORHIS. The only way you can collect the payment is by having that country have so-called favorable balance of trade and on the balance you will have to have an unbalance of trade if you want to get paid.

MR. BRANDT. Well, if you grant a loan to a foreign country, you immediately get an expansion of exports because the foreign debtor country uses its loan for purchases in this country. The repayment can take many forms. American tourists can spend the money abroad. American individuals or companies can buy insurance abroad. We can take gold in payment, or goods.

After 15 years, the question of payment is still there, but it makes a great difference whether you can gradually over the years prepare for that shock that may come rather than to have immediately the balancing of that account.

So loans do not permit forever exporting without importing. Yet I anticipate some other partial solution. With the high savings rate to be expected in the future as a result of the great productivity of our industries, I do not see why we should insist upon getting all that capital back from foreign countries in such intervals.

After all, the British have invested in loans to other countries like Argentina for many generations. That country was built with British loans and they have not insisted on getting it all back. This creditor-debtor relation has not been a cause of friction between Great Britain and Argentina. In fact, the relations between Great Britain and Argentina are substantially better than the relations between the United States and Argentina, although we have held back in making long investments in Argentina. That resentment follows constructive foreign investment is not necessarily so.

However, the possibility of counteracting the protectionist influence of farmers in Europe will ultimately depend on concessions all around among all countries concerned. American agricultural exports will flow only if the victorious powers succeed in establishing the freest flow of capital, goods, and services between the nations.

Mr. HOPE. To what extent do you think an effort was made to build up agriculture between the two wars based upon the desire to become self-sufficient so far as food is concerned?

Mr. BRANDT. In several countries, particularly in Germany and Italy, a great deal was said about the necessity to become self-sufficient in food. The question is What were the motives behind the proclaimed desire of self-sufficiency? Self-sufficiency is an end or, better, a goal, not the motive. From my knowledge of the psychology of a few of the European countries where I watched the self-sufficiency drive, I think that one of the most powerful motives behind it was the fear or the expectation of another war.

That fear never subsided fully, even during the years of industrial prosperity, 1927 to 1929, with full employment. Even then many Europeans pondered anxiously the question whether war would not break out anew soon and whether if peace should last the food-importing countries would not face eventually a real famine if they could not pay for the imports of food, or once economic sanctions should be applied by the signatory powers of the League of Nations.

So if a determined policy of international security could relieve that fear one key motive for food self-sufficiency policies would have been eliminated.

Another motive was the inability of maintaining a high rate of employment and the general economic warfare of retaliation in foreign trade which closed more and more lanes of international trade. The more protection depressed industries obtained, the more the farmers called for the same protection against foreign competition for their products.

The third reason was that when in 1927-28 the prices of farm products collapsed in the world market before the general depression hit, farmers asked for Government action toward preventing the price decline. You may recall in 1927 there was the first price slide of basic agricultural world commodities. When farmers, for instance, in Germany, faced the collapse of the prices of rye, wheat, and barley, they began to pressure for higher prices. One way to camouflage this pressuring for higher prices and for restoring their profits was to speak of food self-sufficiency as a necessity of national defense and as a necessity of balancing the national economy.

Finally the German farmers got even the support of the labor unions for a policy of lifting the prices of food commodities.

Food autarchy is a goal blanketing many mixed motives. The military men saw it as a matter of military strategy. They were not afraid, but they wanted preparedness. They considered a maximum of domestic agricultural production as a war essential.

I am not so certain that at the end of hostilities in Europe all of these motives will be invalid. The consumers' fear of future famine will be greater than ever, and the farmer will not have lost his fear of powerful competition by farmers overseas. If during the years between 1923 and 1933 (the only period of relaxation because after 1933 preparation for war began) it was difficult to combat the efforts

to build up agricultural autarchy, I have a notion that this time it will be much harder to do so with success.

Mr. HOPE. From what you said a while ago, you don't think it is an impossibility?

Mr. BRANDT. No, it is not impossible by any means. I stress so much how difficult it will be to defeat protectionism elsewhere because I feel that in order to accomplish anything we should fully realize what is involved in the task of getting the European nations on a line where they are actually willing to abandon heavy subsidies of wheat, oilseeds, and other foodstuffs.

The CHAIRMAN. You may resume, Mr. Brandt.

Mr. BRANDT. In looking at the future situation for American agriculture I find that it is important to realize what it will mean if the outlets in the world markets should be very narrow. It seems obvious that we would have an even harder task of adjustment to accomplish. Our present system of publicly supported prices is completely out of gear with any competitive level in other countries. To add a little more skepticism on the prospects in the world markets I may mention that I expect the British to be so immensely pressed for more exports, indeed, so much so that I doubt whether they will be able to maintain the present relation of the pound sterling to the United States dollar. This will not be a question of deliberate action on their side alone, but there are larger forces and economic necessities which compel nations, as the British were compelled when they devalued the pound before. If the pound should come down from its present level artificially maintained at \$4 to, say, something like \$3, it is quite obvious that it would put our exports into an even much harder position than now.

Domestically I find that the policy of guaranteeing the farmer an income through the medium of fixed prices which we have pursued in recent years will within this general world situation lead very quickly to a perfect impasse.

The burden on the Treasury may assume such proportions that it may become questionable whether the Congress can live up to its commitments of price support given our farmers. The potential capacity of American agriculture to produce is still much greater than the actual capacity in effective use. If in his desire to lower costs the American farmer with the purchasing power that he has now applies the multitude of new mechanical labor-saving devices, the new variety of seeds, better insecticides, and other technological methods, we will be able to produce with less people employed on the farm than we have now, considerably more than the present output.

At the same time there are tendencies, powerfully supported by the general public, for placing in agriculture more people than we have now.

Nothing is more popular in the country than the idea of paying our tribute to the veterans by giving them a chance to found a home on a farm. There is considerable economic leeway for that. Older men will retire. We have in the West probably quite a good basis for more farmers. But I do not think that it is really a square deal to the veterans to place perhaps hundreds of thousands of them on farms, because they will have to meet the hard competition in a market that will be glutted in many ways.

The capacity of production can be trimmed down. If we try to maintain the security for the income of the farmer by price support

and subsidy devices, the logical supplement to that is the restriction of production by quotas. This throws open another question: Is it really desirable from the national standpoint of maximum welfare and maximum employment to enlarge and keep the total employment and investment in agriculture larger than the demand for the goods justifies?

When I listened to the arguments presented by the preceding speaker, Mr. John Brandt, I felt that there were several points of serious weakness in the scheme he suggests. It has a certain sound basis of equalizing the seasonal fluctuations in the market. But when it comes to balancing the income and the production of our national agriculture by such schemes, I abhor the idea, for they all lead ultimately to the necessity that by political decree the Government has to decide who stays in agriculture and who must be transferred into other jobs. All the political regimes which have tried to establish profitable prices for all farmers have been compelled to tell the marginal farmer that he must quit farming and go into some other type of work.

The entire concept of American democracy is incompatible with policies which compel the Government in times of peace to decide who may stay within a profession and who must leave.

Mr. Voorhies. I agree with you, but is the alternative to have people just driven out of business because they fail and cannot get a sufficient income to maintain themselves?

Mr. Brandt. There is certainly nothing more repugnant to me than the idea that the alternative to this one extreme is the opposite one of doing nothing and just to choose *laissez faire*. There are many alleys of considered action which do not lead to this ultimate curtailment of freedom.

On the one hand, it is not possible to guarantee the security of income to everybody. It is, however, possible and desirable that society assure the majority of the farmers against the catastrophic and drastic changes which will overnight spell disaster for everybody, the competent and incompetent, the industrious and the lazy ones alike. To that end we should adopt a policy which guarantees a certain minimum of income. If this is to be done in a statesmanlike way, it must be a relatively low floor of guaranteed income. The floor must not eliminate the necessity of fighting with the utmost energy for the lowering of costs by efficiency and it must not guarantee a good income to the man who ultimately rides on social security without making his fair contribution. That reasonable degree of farmer security can be accomplished with a minimum of regimentation and Government intervention. I consider it in no way a perfect solution, but the Government can, in connection with carefully established production goals, set the low floors of prices from year to year with the intent to use the prices and price relations as the steering mechanism for shrinking or expanding production of specific products, and as the steering mechanism also for giving the Nation the benefit of a maximum of consumption of these foodstuffs.

It is impossible to maintain the prices high and at the same time to have a maximization of consumption. If you keep the prices high in order to keep the profitability for all farmers, the result is you thereby eliminate a large part of marginal consumption while at the same time you pay a premium for an increased production and a shift of more manpower and capital into agriculture.

The CHAIRMAN. Some economists tell us in order to meet the post-war needs of our Nation we must have full production of industry, full employment, and full production of agriculture at a fair price.

Mr. BRANDT. To have full employment in industry and agriculture is an honest desire and the hope of all people who think of the national welfare, but I do not think this term full employment——

The CHAIRMAN. You do not think it can be done?

Mr. BRANDT. I think we can strive toward that, but if we are too maximalistic in our expectation of how full an employment we want we may play havoc with our economy. I am not so sure, as many people seem to be, that we have found the effective mechanism of avoiding a decline in our rate of long-term industrial investment which after all controls essentially the rate of prosperity that we can accomplish. Nor do I think that we have found the method of stopping a general downward movement of prices with anything less than dictatorial powers.

To that extent I would also take exception to some of the underlying assumptions that Mr. John Brandt has made. I do not think it is possible to establish and secure prosperity for the Nation simply by giving the farmer a satisfactory income.

The CHAIRMAN. He is the big consumer, isn't he?

Mr. BRANDT. Yes; but still, if you give all the farmers a satisfactory income it may still leave any number, 8 or 10 or more million people unemployed. Unless we get with our wealthy economy, and with our tremendous capacity to produce the heavy industries, the construction industries, housing, railroads into the full swing of employment, we will still be in a situation where the farmer may be kept above water but where the Nation is in a real and prolonged depression.

The CHAIRMAN. Just one moment. You think we have to lower the prices which the American farmer will receive for his commodity?

Mr. BRANDT. I think so.

The CHAIRMAN. All right. Do you believe in the philosophy that a farmer is now and always has been entitled to parity for, say, corn, wheat, and cotton; that is to say, a bushel of corn or a pound of cotton or a bale of cotton will buy a corresponding amount of manufactured products or services. Don't you think that that ratio of parity relationship which means equality in purchasing power should always exist under all conditions?

Mr. BRANDT. No, sir; I definitely do not believe that.

The CHAIRMAN. You think the farmer should be under the others?

Mr. BRANDT. No; I don't believe that for his income which is decisive the farmer depends on the price of the commodity. On the one hand, it depends on his cost of production; it secondly depends on the volume of production he can sell. It is quite possible that the contrast of parity applied long enough will frustrate any progress in agriculture and will thereby make the agricultural sector of our economy the losing end.

The CHAIRMAN. Parity is a variable thing under the law. In other words, it is rewritten as the cost of labor, services, and manufactured commodities go up or down, so parity for farm commodities likewise goes up and down, but that relationship, over-all equal relationship, should always exist. That is fair is it not?

Mr. BRANDT. No; I do not think that this is of primary importance. There should be, first of all, a fair opportunity for developing the whole

economy. It is not the purpose of the American economy to maintain a certain volume of agricultural production or agricultural employment. It is important that all Americans make use of the freedom to choose their profession and choose to work where, according to the plébisците of the consumers with dollars and cents spent, it pays best.

The CHAIRMAN. Now, doesn't everybody agree that balanced economy, the best balanced economy we ever had in our country is where that relationship existed?

Mr. BRANDT. Yes, sir; but I claim the parity concept as it is written in the law and conveniently revised from time to time is a political device which unintentionally leads to a destructive unbalancing of our economy. Progress in the efficiency of manpower changes the basis of what the Congress calls parity. Why should a bale of machine-produced cotton buy as many, say, shoes, as a bale cultivated with a man and a mule and picked by hand? The parity formula is based mostly on price relations of 30 years ago and makes no allowance for technological progress. I think the use of that formula will lead to a situation where we will be bothered so much by the surpluses that we will have to choose between maintaining this exaggerated production and giving away the surpluses at the expense of the taxpayer, maintaining parity prices and throttling production by acreage or marketing quotas as we have done before this war.

We have no other choice; either we can fix profitable prices and must then determine by regimentation how much shall be produced, or we can use prices as the medium through which to guide the farmer to produce the amount the market will absorb.

This involves the possibility of a certain economic hardship, but the only security against it is Government regimentation, which I consider as the far greater political hardship.

The CHAIRMAN. Well, people generally complain about any control or any fixing of prices as regimentation, don't they?

Mr. BRANDT. For the past 11 years the experiment has been going on which has shown that a planned economy, with perfect economic security for everybody, is possible. It was believed by the majority of the economists in the world that it could not work. I have seen that machinery being built and have argued in vain with German farmers against the consequences, as Hayek in his book *The Road to Serfdom*, argues with the people in the United States and Great Britain today. Contrary to the belief of the economists the world over the German planned economy did and still does perform amazingly well. Its mechanism, however, comprised inevitably the absolute power of the state over the life and death of every single person working or living within its fold.

That was the case in Russia as well as in Germany, as it will be in every country where the Government undertakes to guarantee full economic security to everybody.

If we want to avoid wholesale regimentation, the price has to be a flexible means of adjustment. Fixed prices according to parity may well lead to the situation where we produce, for example, so many eggs that it finally becomes senseless to even process them and we have to dump them into the feed troughs. The only way to issue orders for a reduction in egg production without limiting the freedom of the individual farmer is to let the price fall to the point where production is still profitable for efficient producers, but where the less efficient producers stop.

The CHAIRMAN. Don't you think anything under parity for a farmer is not profitable?

Mr. BRANDT. No.

The CHAIRMAN. You do not agree with that?

Mr. BRANDT. I know that at any given time there are farmers who at a certain price make so much profit that they can still expand, while there are others who just cut even, and still others who go bankrupt at that same price.

The CHAIRMAN. What farmer, for example, can do that?

Mr. BRANDT. They are to be found in any commodity field or type of farming. Take wheat: there are areas with such a comparative advantage of production that they are able to grow wheat at a very low cost per bushel. The same holds for cotton. When I lived for 8 months in the deep South and traveled widely among cotton farmers I found areas where due to natural conditions cotton can be produced at an exceedingly low cost. Low values of land, large acreage, mechanized methods in cultivation and harvesting all result in low costs of production. But then you travel 50 or a 100 miles farther on, and you find areas where the rolling leached land in small patches make cotton production in any case exceedingly expensive. You could double the price of cotton for the hill patches in the old plantation belt and the people would still not be on a sound level.

With the parity concept which is based on a certain historical distribution of production and on historical cost relations, we are bound to establish production quotas and with quotas we freeze the economy on high-cost areas, and deprive it of its adjustability. Parity prices, guaranteed and fixed by the Government, establish social security for farmers but do not guarantee that American farming will remain on a competitive level of efficiency.

During the 10 years before this war, with the best intentions, we frustrated the great ability of our agricultural economy to adjust by subsidizing, for example, the maintenance of cotton production on land where it would be 10 times better to find another job for the farmer than to keep him on too little and too poor land that should go back to the pine woods. We have made it a paying proposition for him to stay there. This was all in line with the philosophy behind our economic policy, which could be summarized as an attempt to make ourselves comfortable in the midst of a permanent depression or a stagnant economy. I don't believe in the soundness of that defeatist philosophy of which parity is a symptom. If we accept a static economy as our destiny we subscribe to the procrastination of the best abilities of our people.

If we have the opportunity to give another paying job to this poor fellow who in spite of the parity price for cotton cannot pay for cotton sheets on his bed, we ought to do so. If we had no other opportunity, because industries were stifled, investments did not flow at the proper rate, because foreign investment was at a low ebb, we should shape national policies which lead to an expansion of our economy. Thereby we could offer that man soon a better job somewhere where he would produce something that really contributes a share to the welfare of the Nation.

Mr. VOORHIS. May I interrupt you there and ask this: Then what comment would you make on a situation where a group of farmers, without the Government coming in the picture at all, get together

and form a cooperative for their mutual protection when they market their crops? Would you object to that?

Mr. BRANDT. No; I find the law that gave the farmers the right to operate cooperatives without paying a corporation tax very wise legislation. It has been adopted for good reasons in many countries. If the farmer makes use of that special privilege, he proves that he understands the necessity of operating efficiently in the market.

Mr. VOORHIS. Yes; they do.

Mr. BRANDT. There are many examples of successful farmer cooperative associations. When these co-ops are good business enterprises which create competition where there was none, I am wholeheartedly for them. If intelligently cooperating farmers can improve their lot by better marketing methods it is fine. I do not consider agricultural cooperation as a form of subsidization. I referred earlier to policies where subsidies are paid which are a premium for staying on a job that is on the losing end.

Mr. VOORHIS. That is, of course, not the case with the cooperatives?

Mr. BRANDT. No; the cooperatives are a different proposition.

Mr. VOORHIS. I just wanted to get your idea on that. In other words, where farmers can by their own efforts through cooperative action make it possible to have more to say about the price at which products are sold, you do not think that is unsound?

Mr. BRANDT. No; not at all. The private initiative of the farmer should have every encouragement. If the cooperatives are operated on a sound business principle and do a better job of either buying or selling more efficiently than does the trade, so that the farmer receives a better share in the consumer's dollar, it is only common sense to say that this is an advantage for the common welfare.

The CHAIRMAN. Let me ask you this: In our country every depression we have had has started with the farmer, has it not, when he did not get enough money to pay him for growing his crops and when he has no purchasing power? Then it was that the mills had to shut down because there was no market for their products, and the laboring men were let go because they no longer had need for them. That has been the cycle of every depression in this country.

Mr. BRANDT. I would not subscribe to the accuracy of the historical observation. However, even if it were correct that every depression in this country did start with agriculture, I would still say that this might be nothing more than a symptom, but not the cause of the evil.

The CHAIRMAN. But nevertheless it is a painful experience we have passed through. Whenever the American farmer gets less than the cost of producing his crops, he goes in the hole and he cannot buy, and then it moves along the industrial life of a nation; then labor is affected, and then we are in the throes of a depression and we cannot turn the farmer loose, can we?

Mr. BRANDT. No. I have been a practicing farmer myself and still have not only sympathy but a warm affection for that profession. I do not see any reason why economic policy should begin with or have any interest at all in putting the farmer into a tight spot where he has fewer rights than other people.

The CHAIRMAN. If you remove all restrictions and let him produce what he wants to and get what he can, you know what is going to happen to him?

MR. BRANDT. Yes, sir. I do not suggest that we use that method. This is not a sensible alternative. The alternative which I prefer is to use appropriate methods for giving the farmer a certain degree of modest security against such economic cataclysms where he is helpless.

THE CHAIRMAN. Now, then, there are just two ways to do that: One is to do something about fixing prices, fixing some floor below which the price cannot go, and you have to have some restrictions on the amount of products he produces; isn't that right?

MR. BRANDT. I doubt whether that is necessary. I could conceive of a system of a minimum-price guaranty with deficiency payments as it has worked for many years very well, for instance in Great Britain. This is a system which does not require any interference in the market. The Government announces sufficiently in advance that it is interested in maintaining a certain production goal of so and so many bushels of wheat. It guarantees the wheat producers a minimum price on the wheat. The farmer produces as much as he thinks profitable and sells at the best price he can get in the market. Everybody who sells wheat must obtain a sale certificate indicating the quantity, the quality, and the price received. By the end of the year these certificates are collected and a calculating office finds out what the average price actually received for the wheat was, and whether this price was lower than the guaranteed minimum, and if so, how much it was deficient. Then the Government pays the difference, the so-called deficiency. If the farmers produce much more than the goal for which the minimum price guaranty holds, they receive a correspondingly smaller deficiency payment per bushel actually sold.

THE CHAIRMAN. Well now, if we do that for all our agricultural commodities we would have to have a powerful sum of money in the Treasury, wouldn't we?

MR. BRANDT. That depends on where you set the floor. If we go on the assumption that the floors have to be set as high as the present parity price the result would be—not only a heavy burden on the Treasury every year, but on top of that we would have to adopt regimentation because our excessive production would spell ruin in the markets.

THE CHAIRMAN. The floor sets the price, doesn't it, always?

MR. BRANDT. No; because there are many market situations where the floor would not carry any weight. The prices can at any time go above the floor. Farmers have no accurate control over the volume of their production. They may expand the acreage and yet make a very short crop. Then you may have immediately a situation where the market warrants a much higher price than the guaranteed floor.

THE CHAIRMAN. But over a long period of time the floor will set the price and that price determines the purchasing power of that farmer. So unless you get it up to where he can afford to grow the commodity at a profit he is going to go in the hole and parity is the only thing that will let him do that, isn't it?

MR. BRANDT. The point I would raise there is that the floor must lie so low that it does not keep the inefficient producer in production, and therefore there would always be quite a few people on the marginal side who would thereby stop producing one specific commodity and shift into the production of others. For a number of years it is quite conceivable that this security of the floor would never be touched by

many commodities. If the economy has in general a good rate of investment, industrial employment is good, the market absorbs not only the goods, but the market will drain away those people who earn a lesser income in agriculture than elsewhere. We would carry this disaster- or economic-emergency insurance of the floor and yet have practically no indemnity payments or very few made by the Government. It would really be an insurance against the worst, but leave the main adjustment to the farmers' initiative. This deficiency-payment policy would be, to my mind, a means which, with a minimum of interference in the market and a minimum of administration would possibly accomplish that insurance feature. Its satisfactory functioning would require, of course, that our statesmen in the Congress have the nerve to set the floor in the different fields in such a way that one would not get general overproduction over several years which would clog the markets.

Mr. HOPE. Well now, you mentioned awhile ago the productive capacity that we might expect to have after the war on our farms due to the use of the improved machinery and better breeds and strains of livestock and crops. What do you think of our capacity to support increased production on the farm with out consumptive capacity following the war? Can we absorb the production in excess of what we had during this war period?

Mr. BRANDT. I do not think so. If the whole economy is in a prosperous state and expands, and if foreign trade is going strong, I am confident that we can absorb considerably more food and fibers than we produced in the years 1935 to 1939.

Mr. HOPE. But what about our per capita consumption of agricultural products? Do you expect that to go up or go down after the war?

Mr. BRANDT. I think, sir, that given an optimum rate of employment in all trades, shifts into a higher per capita consumption on certain food commodities will emerge. This would be only a natural resumption of the long-run dietary trends. There are a lot of people who would like to eat more butter, cream, and ice cream, and would have done so in the past if they had had a good income. I think that when it comes to certain fruits and some vegetables, some types of meat, it is conceivable also that we will have a rising consumption of those. At the same time I doubt whether it is true that there was in the United States such a vast unsatisfied demand for calories. If that should be correct I do not see that we can expect a phenomenal rise in the per capita consumption of all foods combined. It will be a shifting of the volume and the proportion between different commodities, with more expensive ones displacing the cheaper and commonest ones.

Mr. HOPE. What effect would you think that would have upon our agricultural production in the sense that it will increase or decrease the number of people that we can employ on the farms?

Mr. BRANDT. We have two different types of farms in the United States.

We have roughly 2,000,000 commercial farmers who with the major part of their output are actual competitors in the whole market economy, and we have some 4 or 4½ million farm families who either have no other choice or who live on the farm because they like it and are not figuring precisely in dollars and cents that they can make more

somewhere else, but where they are forced also to work under orders and to forego a lot of pleasures of real country life. The question of how many people are needed to produce a certain amount of agricultural products will ultimately be decided by the desire and preference of the people on the 4,000,000 or more noncommercial farms. I know many people, particularly in the Southern States, who have knowingly and willingly stayed on poor farms where they carve out a poorer existence because it offers some of the intangibles of what they call gracious living. I think we will have some of that forever.

But in the commercial sector of our agricultural economy we will have a decreased demand for man-hours due to increased efficiency in the use of manpower, even in view of a higher per capita spending for food than in pre-war years. And gradually the noncommercial farms will become more commercial, too.

Mr. FISH. May I ask a question along your lines there?

Mr. HOPE. May I get in another first?

Mr. FISH. I am sorry. Go ahead.

Mr. HOPE. Then, of course, to the extent that there are large numbers of people who are willing to do that, you are likely to have an excess of labor on the farms beyond the amount that would result in an income for farmers which is somewhat comparable to the income received by the average person in other walks of life. Do I make myself clear there?

Mr. BRANDT. Yes; but I consider it one of the essential rights in a democracy that as long as they do not ask for Government aid people who do not want to work hard have the right to loaf and to produce little so long as that is their preference. But insofar as these people increase their expectations of consumption of goods, of doctor and hospital services, of travel and recreation, I see no other way than to give them the opportunity to earn a better income, which requires that they make a better contribution to the goods and services produced by the Nation. For the Southern States, the war has offered to a lot of people that opportunity to contribute more and in turn to consume more. But there still are millions of people who will not participate in that soon.

Mr. HOPE. What I mean is that these people who are not putting the maximum effort into farm production would be willing to take less than what they could earn if they were putting the maximum effort into some other—or who are willing to take less than they might earn in some other occupation. To that extent that they are creating the surplus of agricultural products which pulls down the income of the man who farms more as a business, who is in there from the standpoint of what he can make out of it. That is true, is it not?

Mr. BRANDT. The total contribution to the markets from this farm segment is relatively small. The greatest pressure will be exerted by the commercial farmers, because their ability as businessmen is so much greater. However, the national policy should not ignore the possibilities of improving the lot of their noncommercial farm people also. I see many opportunities which do not exert more pressure on the market by dumping more goods there. Many of these people are very inefficient as consumers and as producers. Many of them insist upon buying through the stores goods at highest retail prices from a thousand miles away rather than to produce a part of them in their own household and garden. If they sell their produce for

far less than wholesale prices but consume many goods at more than retail prices, there are substantial opportunities for improving the real income of these people.

MR. ARTHUR. This represents nearly half of the farmers of the country, too, does it not, that are not important in commercial markets?

MR. BRANDT. It is hard to define the two groups accurately enough for a statistical count, but I think it is a much large segment, probably in the neighborhood of 60 to 65 percent. If you count the members of the families the percentage is still greater owing to the larger number of children on the noncommercial farms.

MR. VOORHIS. Is it not true that 10 percent of the farmers produce about 50 percent of the marketed farm commodities?

MR. BRANDT. I have not the exact figures at hand. I can only say from memory that the much larger proportion of the farm population is living on noncommercial farms. None of them are self-supporting. They all have some connection with the market.

MR. VOORHIS. There is a certain value today, I am sure, to any democratic nation in the contribution to that nation, the strength of the democratic contribution, which is made by a large group of people living on their own farms which can hardly be made up by any other group in the population. In other words, entirely aside from purely economic consideration, there is a sociological factor of stability and so on and so forth, that has to be found in that sort of life and existence which, if lost to a nation like America, would make a tremendous difference in the future.

MR. BRANDT. This is the question of the importance of the middle class. You have the same in the retail business, and in the small work shops. I do not say that the farm middle class and the middle class in urban business are identical, but you have similar attitudes in both. Yet it seems also clear that it is not strengthening the Nation politically and socially if these people find themselves in such misery that they have to be maintained all the time at a substandard income by subsidies.

In other words, you may block the normal economic progress and the progress through education in those segments of the economy if you use improper policies.

MR. FISH. Has it ever occurred to you that we may reach the situation, and we may reach it very rapidly, where a very large number of people might lose confidence in the future and in values and may think that land is about the only thing that has any value and go out on the farms and cease being merchants and lawyers and so on, and leave the cities and go to the country to purchase their farms so they can have something that retains values and they can get a living? Have you ever studied that problem, because I am very fearful of it myself, from the psychological problem rising in the not distant future.

MR. BRANDT. Nobody could have lived through the German inflation of 1923 without being very mindful of such psychological sways—

MR. FISH. That was going to be my next question.

MR. BRANDT (continuing). And I know there are many people in this country who entertain such fears of continuous inflation and who try to escape into the "real values." My observation in the German inflation was that there were very few people who really succeeded in

that race. But I doubt whether one can base the general agricultural policies on this fear against the maintenance of the purchasing power of the currency.

Mr. FISH. I was going to ask you whether you had studied the problem at all. I have to say that I have not, but I have discussed it with a great many people who have this fear, and say that if it goes on any further they are going to buy a farm and just retire to a farm and grow their own food. When that thing becomes general, the opinion of many people, it becomes a tremendous factor.

Now the second question I wanted to ask you was: What did happen in Germany when the mark blew up and all the prices went with it? Did they go out—those who had any money left—did they go out on the farms themselves and try to survive, or what did happen?

Mr. BRANDT. The farmer in Germany understood the inflation earlier than many other people, because he always thought more in terms of real values than of money. He thought more in barter terms than the others. The result was that it was exceedingly hard for any speculator to get a piece of land. Everybody held tight to his land and therefore very few speculators succeeded at all in escaping from the inflation that way.

Of course, there were some people who succeeded in getting hold of urban property or in industries bought streetcar lines and similar assets. Insofar as they succeeded in exchanging paper marks for real estate they of course made a fortune out of it.

Mr. FISH. I know that they bought real estate and everything else, but I am talking about going onto the farms; the farmers did not have such a bad time, they did not suffer so much from inflation, did they?

Mr. BRANDT. No, the farmer during the inflation was better off than the other people. This caused a lot of resentment in the cities against them, but the farmer was getting it in the neck very quickly in the first year after the inflation. While the debts were wiped out the Government had in that first year slammed on high taxes. The farmer was dried out of any cash, so that in one year the farmer had to accumulate debts which stuck afterward and which cost at the beginning 50 and 60 percent interest per annum.

Mr. FISH. The final question is more of interest, because you seem to know about it. How after this war will Europe feed its people, particularly how will Germany and Belgium feed themselves? They will not have any purchasing power to buy food with, I don't think even from Argentina. Did you give us the difference of the price levels between Argentine production of agricultural products and our own?

Mr. BRANDT. I did not attempt it. I just assumed it would be cheaper.

Mr. FISH. And then the other question is: How will Belgium, which is an industrial country, and a large part of Germany, and others, due to the chaotic conditions as a result of the war, feed themselves with no purchasing power to buy food from the outside?

Mr. BRANDT. I think the historical example of the years after the First World War might give a good hint as to how that operates. The food blockade was maintained against Germany long after the armistice. Thus, rationing had to be maintained for several years. During the war millions of consumers had learned to produce supplementary food for themselves on little garden patches and to feed

rabbits, chickens, and even a few pigs. During the last 2 years, 1943 and 1944, the same tendency has created in Germany such a problem that the Government had to take measures to keep it down. The backyard feeders of small animals illegally used too much grain and other feedstuffs. Self-help by the consumers who turn part-time farmers will close a part of the gap. Impoverished Europeans, who have never enjoyed the material plane of living that the people in the United States do, will go far beyond the toils done in our victory gardens.

Besides that, I anticipate that the Government will maintain wartime controls over the food economy, with certain modifications, and continue to eke out the small supplies as evenly as possible, and will see to it that no large number of people will go hungry, in spite of a very frugal and chiefly vegetarian diet. If you maintain the war diets with cereals and potatoes as the main source of calories, you can stretch short supplies to a considerable length. I anticipate that necessity will force some of the European nations, particularly the defeated Germans, to make both ends of the food account meet by continuing to live on a war diet for several years.

Besides that I don't think that the absence of cash necessarily prevents a nation from buying food. If Belgium, for instance, had no gold, not a single dollar, or any other currency available, she would still be able to buy food in other countries. Other nations with exportable stocks of food will offer such supplies to Belgium on a credit basis, because it would be good business for them, particularly if they have faith in the economic future of Belgium. I would be surprised if countries like Argentina, Brazil, or Canada, to mention only a few, did not make such moves soon, once it is clear that Belgium will remain independent and will not be absorbed into the Russian orbit.

Mr. FISH. Have you discussed that here today? I had to go out, and I am not sure whether you have or not. There is an issue, and I do not know who is going to discuss it, Mr. Chairman, but someone has to discuss it. I do not like to throw monkey wrenches and I do not like to express my views on this thing, but I am going to tell you very frankly they are my views and I think communism is inevitable in Europe, and if you have communism you have state-owned production.

Mr. BRANDT. I would not say that communism is inevitable everywhere in Europe, although the danger is imminent. Whether this danger materializes will depend much on the action of the big powers. I doubt particularly whether you will have state ownership in agricultural land in central and western Europe.

Mr. FISH. I say if you do have.

Mr. BRANDT. That is something we have to watch. It is possible that we will have for many years in Europe revolutions, political upheaval and unrest, governments thrown out and new ones rapidly coming in. In that period the food situation just could not really improve. In fact, I anticipate the possibility of really ghastly and devastating famine in the center of Europe, particularly in Germany and Austria. If after Germany's military defeat, civil war of the type waged now in Greece breaks out, such famine is almost inevitable. The German food economy has so far functioned well only because the most competent and able German civil service has managed to

stretch the scanty available supply far enough to keep the last civilian alive. Once that precision machine breaks down, waste, unequal distribution, black markets, and food chaos will create starvation.

Mr. FISH. Your answer is, it is on an efficient basis today?

Mr. BRANDT. Yes, the record of 5 war years shows it.

Mr. FISH. If they had a chaotic condition it would break down—you did not answer the question. If communism does take over all of Europe, then you would be dealing with the state and everything would be through the state and not through private enterprise or individual producers of food or anything else. It would be entirely a state system, would it not?

Mr. BRANDT. Yes. So far as Russia is concerned, she is a vast potential market for food and all the countries that have something to export could actually, for the next 15 years, export immense amounts of food to her. But when it comes to the question whether the Russian Government will adopt a policy of importing much food if it has to pay for it, I doubt very much whether she will buy much food from overseas. Probably the Russian Government will see to it that the Russian people keep their belts tight. It will first of all strengthen its own food resources. Beyond that, the Soviet state will import what it wants from the Balkan countries, Poland, and the other buffer states. Beyond the relief period it seems very improbable that Russia will buy in the United States large quantities of agricultural products.

If it comes to a state socialistic or communistic regime in a large part of the rest of Europe, I think such economy would begin also with planning on an order of continental reconstruction where improvement in the diet would be ruled out or at least be postponed for a decade or more.

Mr. FISH. Of course, they can get loans from us, can't they—two or three billion dollars on what we call lend-lease, after the war?

Mr. BRANDT. The question is whether they want to take that. If they have no opportunity of securing the payment.

The CHAIRMAN. Mr. Arthur wishes to ask a question.

Mr. ARTHUR. I think you discussed the cotton situation, but probably one of the major readjustments we will have in this country will be in the fats and oils situation. Do you have any observations as to the kind of adjustments that will be required in this country in particularly the vegetable oils produced that we have developed largely during the war?

Mr. BRANDT. Well, shortly before this war America was gradually approaching the situation where the domestic market was being supplied with more and more domestic fats, because it was the main import gap still open in the domestic market for agricultural raw materials. High duties and excise taxes on foreign fats and oils paid a premium for expanding the domestic supply.

During the war this gap has actually been closed. Under the emergency of the war we have anticipated developments that otherwise would have come at a slower pace over the years.

We have expanded our production of soybean and peanut oil and even more so the production of lard and tallow, to such an extent that at the present time we produce more fats domestically than we consumed before the war, and are on a net export basis for fats and oils. We have made up for all the losses of imports from the Pacific area by increased domestic production. The future situation for fats and

oils in our own market and in the world market is of importance to our farmers.

In different parts of the world powerful forces are at work to do exactly what we do, namely, to produce more fats and oils. The whaling business in the Antarctic will revive strongly. Norway and Great Britain are preparing for that. It is possible that in one single year six, seven, or eight hundred thousand tons of a first-class whale oil will come to market. It is the lowest priced full-fledged oil that exists in the world. After hydrogenation it is edible, has a ready market as the best margarine raw material, and it will fill a substantial part of the European demand for edible fats. It will again take the place of American lard as it did in the thirties.

I anticipate that in the field of vegetable fats the Tropics will come back, so that coconut oil, palm oil, and palm kernel oil will again flow to Europe in large amounts.

Moreover, a more spectacular rise than that of the acreage of soybeans in this country in the last 15 years is to be anticipated in the world economy of vegetable fats. Sunflowers are going to be produced on a very large scale. They fit well into many agricultural systems, for example, in Argentina, Russia, India, and many other countries.

Mr. VOORHIS. What about Kansas?

Mr. BRANDT. I do not think that sunflowers have a particular advantage in this country as a crop. However, this is something that can be judged only by trial in the field.

The CHAIRMAN. What about soybeans?

Mr. BRANDT. The soybeans have their definite place among the important American field crops, but it is not certain that we will plant as many acres of beans for oil crushing as we are cultivating now. They will definitely cover more acreage than before the war, but perhaps fewer acres than now.

The CHAIRMAN. It has been expanding recently because of the war needs?

Mr. BRANDT. Yes.

The CHAIRMAN. And I do not think there is any doubt but what after the war soybeans will be with us, but of course the acreage will be reduced to meet the needs of our country. I think it is here as a permanent oil crop in our country and a feed crop that has many other uses.

Mr. BRANDT. Yes; it fits so well into the rotation and its cultivation and harvesting are completely mechanized. In the Southern States I think many, many changes are coming. The peanuts for oil crushing will also stay, will gradually drift toward the best locations, and the technique of harvesting will be improved with the aid of machines.

Besides that I anticipate for the animal fats in 2 or 3 years after the cessation of hostilities in Europe a very hard competitive situation, with heavy price pressure on lard and, indirectly, upon the production of hogs.

The CHAIRMAN. Are you about through?

Mr. BRANDT. I am, sir.

The CHAIRMAN. I want to thank you for your appearance here.

Mr. COLMER. Mr. Chairman, before we leave this witness, who has made a very interesting statement, I would like to ask him a question, with apologies for the fact that I did not hear all of the witness'

statement. I wanted to summarize just a moment and see if I did get the gist of his testimony.

As I understand, Mr. Brandt, you do not look with favor upon the parity payments? You would not be favorable to just turning agriculture loose to the law of supply and demand, but that you did favor a low—a comparatively low—floor for agricultural prices. I am just wondering if there was something else that I missed, or if that is your recommendation? Will that, within itself, solve the rather acute problem of post-war agriculture as we view it?

Mr. BRANDT. Definitely not, sir; but I spent only a few words on that. It is my observation that the key to the prosperity of agriculture lies outside of agriculture, and that every policy that tries to create prosperity for the farmer separately and emancipated from the other sectors of our economy will be doomed to failure. It has been tried in vain in other countries. It was tried under the Weimar Republic in Germany with the most drastic agricultural policy. Yet so long as the Government did not succeed in getting industrial employment to a rather high pitch, all these measures, applied with the greatest energy and with vast funds paid out of the Reich Treasury, did not succeed in improving the lot of the farmer. In spite of a maximum of Government aid the German farmer finally voted for the Nazis, because they said, "With these depressed conditions, we cannot exist."

So the key to farm prosperity lies in the general employment in industries, in the expansion of the economy, in the rate of investment. All of this will be made much easier to accomplish with the aid of healthy foreign trade, and foreign trade will flow freely only when the nations can lay aside their apprehension about more war. Congressman Hope posed earlier the question as to what extent we can abate the subsidization of agriculture in foreign countries and the policy of self-sufficiency in food, which hurts our farm export. The paramount prerequisite for a really prosperous agriculture is the creation of military and political security for the small and the big nations.

If you have after this war again a world where the statesmen are chiefly concerned with the fear that another war may break out any moment, you may be sure that the consumers in food-importing nations will insist in paying heavily for keeping domestic food production at a high level. I think, Mr. Colmer, you summarized correctly the gist of what I said. I do not claim that the alternative agricultural price policy I suggest is a simple or a wholly satisfactory recipe. I do consider it as a national necessity to change the method of insuring farm income through guaranteeing prices according to a politically manipulated historical formula. My suggestion that the Congress should put a sufficiently low floor under the prices still requires a very intricate adjustment of the relationships between the floors of the different farm commodities, because through price relations and price differentials the farmers' actions must be guided. To set the relations between commodity floors right is a very intricate assignment which requires much knowledge and technique. Yet the main stimulus to expansion or contraction of the production of specific commodities should come from the side of a strong demand which in turn must be generated by a reasonably high rate of employment. I hesitate to speak of "full" employment, because I think the rate of employment

we have now, applied to peacetime, is detrimental to our society. Considering all people in the armed forces as gainfully employed, we have overemployment. Continued beyond the emergency such overemployment breaks up families, corrupts home life, and victimizes children, for instance. I do not think it desirable to maintain that exalted pitch, but I consider it essential to create the conditions in our private enterprise economy which result in a reasonably high rate of steady employment. Reasonable expectations involve the consideration that a lot of young people of high-school or college age who are working or fighting now as a patriotic duty will quit or stay away for several years from gainful employment in order to finish first a thorough education. They also involve the consideration that older people who are over 60 and who still ride the tractors in wartime will retire. We will need more teachers, more research workers, more men in professional services, not only people who produce physical goods. With such adjustments we will be able to have next to no unemployment. To repeat it once more: The essential roots of agricultural prosperity are a general high rate of productive (not lean on shovel) employment, and an expansion of the economy.

Mr. COLMER. I agree with you on that score.

The CHAIRMAN. When shall we meet tomorrow?

Mr. ARTHUR. Our meeting is scheduled for 10 o'clock, our witnesses will be due to arrive at that time.

(Discussion off the record.)

The CHAIRMAN. We will meet at 9:30 in room 14.

(Whereupon, at 5:45 p. m., Friday, December 15, 1944, the hearing was adjourned to 9:30 a. m., Saturday, December 16, 1944.)

POST-WAR ECONOMIC POLICY AND PLANNING

SATURDAY, DECEMBER 16, 1944

HOUSE OF REPRESENTATIVES,
AGRICULTURE SUBCOMMITTEE OF THE
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Chicago, Ill.

The committee met at 9:45 a. m., Hon. Orville Zimmerman (chairman) presiding.

The CHAIRMAN. The hearing will be in order.

Mr. Arthur, will you read the communication we have from one of the witnesses who was to testify and cannot be present today.

Mr. ARTHUR. This is a letter from Allen B. Kline, president, American Farm Bureau Federation, regretting his inability to appear before us personally, but mentioning the resolutions which he expects to be submitted to the committee by Edward A. O'Neal, of the Farm Bureau Federation, at a later session of these hearings. He also has some very helpful comments that I think will be valuable for the record.

STATEMENT OF ALLEN B. KLINE, PRESIDENT, IOWA FARM BUREAU FEDERATION

DECEMBER 14, 1944.

Hon. WILLIAM M. COLMER,

*Chairman, House Special Committee on Post-War
Economic Policy and Planning, Chicago, Ill.*

DEAR MR. COLMER: Due to circumstances beyond my control, it is not going to be possible for me to appear personally before your committee on December 15. I have just completed several days work as a member of the resolutions committee of the American Farm Bureau Federation. I understand that these resolutions will be presented before your committee by Mr. Edward A. O'Neal some time later.

Since these resolutions have been so carefully worked out, and since they do cover the areas suggested as agenda for your hearing, they will have more significance than a personal statement which I might make. I should like, however, to enter a brief statement of attitude.

Any permanent prosperity in agriculture depends upon the maintenance of a high national income. Full employment is a "must" for prosperity in agriculture. The maintenance of a high and stable income in all of the areas in the economy is the very heart of the post-war agricultural problem. Farmers are more aware of this fact than they have ever been before.

At the same time, the importance of agriculture as a consumer deserves to be stressed. There is no question either about the desire of farmers to produce fully, or about their ability to produce. There is question about their ability to consume. Full production in agriculture does not mean full consumption by agriculture. It is for this reason that a sound program for the maintenance of agricultural prices and income is essential to the national welfare.

So far what I have said is that this country requires a high national income, that agriculture is able and desirous of making its contribution to that income by producing its full share, and by being able to consume its share. I should like to make the further point that we are tremendously interested in the distribution of

population. Agriculture is the one area in the whole economy which has approached the limits of our need in its production. In addition, we are the only large area of the economy which will start the post-war period with an actual, visible, and considerable surplus. It is a well-known fact that we do now have in rather extensive areas in agriculture, underemployment and extremely low annual gross incomes per family. Certainly it is apparent that there is limited opportunity in agriculture for additional labor resources. On the other hand, there is relatively unlimited opportunity in the field of other goods and services.

What we need is an expanding economy, and the room for expansion is much greater outside of agriculture than inside agriculture. If the people of the United States wish to have food at reasonable prices, that objective can hardly be maintained by forcing an inefficient agriculture, or low production per man in agriculture. This might easily result from unintelligent programs for resettlement on the land during the post-war period.

Very truly yours,

ALLEN B. KLINE,

President, Iowa Farm Bureau Federation.

The CHAIRMAN. Mr. Heline, are you ready to proceed with your statement?

TESTIMONY OF OSCAR HELINE, PRESIDENT OF FARMER GRAIN DEALERS ASSOCIATION

Mr. HELINE. I am president of the Farmers Grain Dealers Association, and it is an organization of about 325 cooperative elevators out there having a membership of about 75,000.

Before I go into the question that was presented for discussion, I would like to say just one word, unless I might forget it, on the cooperative thing.

Mr. VOORHIS. How many farmers are owners of those 300 elevators?

Mr. HELINE. About 75,000. It may be 80,000 or 85,000, but approximately 75,000.

Mr. VOORHIS. What was the name?

Mr. HELINE. Farmer Grain Dealers Association of Iowa.

Mr. HOPE. Let me ask you this question. You are familiar with the Farmer Grain Dealers Association in Kansas?

Mr. HELINE. I am president of the national association, which includes Kansas.

Mr. HOPE. And your organization is very similar to the one in Kansas?

Mr. HELINE. That is right. They are very much alike and, in fact, we just had a meeting in Kansas City where we had conferences which included some questions which we may discuss here.

The CHAIRMAN. Do you have a prepared statement?

Mr. HELINE. No; I do not. I prefer to visit with you and have you ask questions as we go along if that is satisfactory.

On the cooperative front it seems to me we have a lot of opportunities to aid agriculture and at the moment we do have some rather severe attacks being made upon the cooperatives. I hope that within the Congress there won't be a lessening of interest in our cooperatives, or a weakening of them, because I can see opportunities for them in the future much greater than of the past, in that we can have a narrowing of the distribution cost on the products which we produce and also on the products which we consume.

If we can extend that cooperative aspect into other fields more fully than we have at the moment, it can act as a yardstick and, should we say, be a pattern for some of the rest of the economy.

The CHAIRMAN. Pardon me. Is the Missouri Farmers Cooperative Association affiliated with your group?

Mr. HELINE. No; it is not affiliated because it is not the same type of organization, but our organization does a lot of business with the Missouri Farm Organization in the grain end. We send a lot of our corn into Missouri to the M. F. A. and to the Farmers Union that has headquarters in Kansas City. There are business relations between cooperatives whether they happen to be the kind of association that I represent or whether they are the marketing organization, because we have both.

We have what we call a service agency in our association as well as a grain-marketing agency.

Mr. VOORHIS. In other words, you market grain and buy grain for your members; is that right?

Mr. HELINE. Well, we are nearly altogether sellers of grain rather than buyers. There is but little grain that comes into our State. There is feed, but not much whole grain.

Mr. HOPE. But you do, however, deal in things which farmers use in production, do you?

Mr. HELINE. That is right.

Mr. HOPE. Oil, coal, and other products of that kind?

Mr. HELINE. Yes; we have a purchasing organization in our State that serves these local elevators, so that we have both the buying and the selling so far as farm needs are concerned, or farm supplies.

Mr. VOORHIS. I might go back, if I may, to the last point you made, which is of great importance. Isn't this the essential thing? By means of cooperation there can be introduced, either in the marketing of a farm product or into the purchase of something needed on the farm for farm operation, a competitive element which is actually devoted to the interest of the farmer himself. Therefore, you have a yardstick which tends at least to bring about dealings at reasonable markets and prices in both instances and you thereby benefit not only your own members, but every other farmer in the whole country.

Mr. HELINE. That is right. I am happy to have you say it that way because there has been some concern because of the attacks as to the influence there may be upon the Congress with regard to legislation.

Mr. VOORHIS. You mean the National Tax Equality Association, so-called?

Mr. HELINE. That is right.

Mr. VOORHIS. I understand.

Mr. HELINE. Going away from that at the moment——

Mr. VOORHIS. Before you go away from that, I think you should tell the committee what the National Tax Equality Association is really up to. I don't think Mr. Hope or Mr. Zimmerman will mind.

Mr. HOPE. I would be very glad to take some time on that. I think that is something that we can study.

Mr. VOORHIS. Tell us about that.

The CHAIRMAN. I want you gentlemen to understand this. We are here to try to develop facts and information which we hope will be helpful in the future study of these problems, and I want you gentlemen to feel perfectly free at all times to ask any questions and pursue any theme that you think is pertinent to our inquiries.

Mr. HELINE. The National Tax Equality League is made up of memberships in the private trade. It is organized by people stemming from the grain trade first and then they have affiliated memberships from all of the various activities in private business.

It started in Minneapolis, where there is apparently a lot of competition from the cooperatives as against the old-line grain trade, and so we feel it in the heart of the country because its home is near us.

They have held many meetings and have tried to impress upon the public the dangers of the cooperative movement. They have presented this tax thing as the important thing. They have been advising the public that in times like this, when the Government needs funds, needs high taxes, no organization should be exempt from paying on the same basis as corporations or other businesses pay.

They take the position that the patronage dividends that are earned by cooperatives should be treated the same as profits on the part of corporations. The contention for a long time on the part of cooperatives is that patronage dividends are not a profit as you would consider it in a corporation but a payment which is made on the product that is left over after all of the cost of business has been absorbed or considered.

Mr. VOORHIS. May I interrupt there? And which money never does belong to the co-op, but which the co-op by its own charter and constitution is compelled to pass on to its membership.

Mr. HELINE. That is right. However, they have been able to make a lot of friends from the point of view that they should be considered profits, and they use the argument that if they are not profits to the farmer why do they continue to do business with the cooperative? Why don't they just as well do business with any other private organization or dealer?

Well, those of us who are acquainted with the cooperatives and know how the patronage dividend and savings are handled, know the answer, and I think a lot of people do, but there are still many in this country who are paying some attention to the propaganda and the argument of the National Tax Equality League.

Before anything is done that would interfere with the functioning of the cooperative, I should certainly want to recommend that a full examination be made relative to the operation of the cooperative versus private business.

Mr. VOORHIS. Aren't you a little mild? You say, before anything is done to interfere with cooperatives. As a matter of fact, the National Tax Equality Association, if they were able to put over their program, would simply ruin every cooperative in the country.

Mr. HELINE. That is right. I say, before anything is done to change the present functioning of our organization, the rights under the law in either the United States or within our State should be examined. Nearly every State has laws that protect and encourage cooperatives, the same as the Congress.

We are going to do everything we can so far as the cooperatives are concerned to advise with legislators on the matter, but I don't know whether this is the time to continue the discussion, except that I am happy to have had the opportunity to raise the question, because certainly in my State they are vitally interested in what happens on this front.

Mr. VOORHIS. I would like to put this in the record, if I may. I happen to know from some of our cooperatives in California that this outfit, the National Tax Equality Association, not long ago wrote a letter to the president of a western railroad and asked for a contribution of \$25,000 for their work.

In other words, this is a kind of a big league enterprise with a lot of money behind it, and I think it is something that everybody who is interested in agriculture has got to be deeply concerned about.

Mr. HELINE. The fact is, they have done more than that. They have done more than merely raise a great fund. They are practicing some tactics or using tactics that even force some of their members to make a deal not to do business with cooperatives.

It is part of their program to cramp the style of cooperatives wherever they can by such pressures as are within their power to control. That, of course, could lead to some very serious difficulty with many of our consumer type of cooperatives, those who purchase supplies for farmers, such as hardware organizations, machinery organizations, or any of the supply industries.

If they refuse to do business with the cooperatives, that in itself is a very major thing to us in the cooperative field. Therefore, it probably would be worthy of some investigation of some kind. I don't know whether that is the answer, but certainly people need to be informed, and I don't think that we have all of the information.

I wish I knew who all of the participants in the organization are. They challenge us because we don't pay the tax; however, when they solicit membership, they suggest that they are a tax-exempt organization and the contributions which they make are not subject to income tax.

Mr. VOORHIS. Is that so?

Mr. HELINE. So it is rather interesting to note the extent to which they go in making their solicitations for membership.

Mr. VOORHIS. I don't want to pursue this too far, but there are two things that can be done. First, don't you think, Mr. Heline, that the main group of people that needs to be informed about this matter are members of the Ways and Means Committee?

Mr. HELINE. I think it would be very fine if they could be impressed.

Mr. VOORHIS. That is my belief, too. In the second place, what is your estimate separating the patronage dividends or separating the money which the co-op is compelled to pay out to the members and which never really belongs to the cooperative as income which they may actually retain—that is, separating those two things? How much revenue do you think the Federal Government is losing from the actual real income that the co-ops receive? Do you want to estimate that?

Mr. HELINE. I don't believe I could make a good statement on that.

Mr. VOORHIS. Well, the best figures I have seen on it estimated it at not more than \$10,000,000 a year at most.

Mr. HELINE. Well, it is a rather insignificant amount.

Mr. VOORHIS. That is right, if you are talking about income under the sixteenth amendment. That is the point I want to make.

Mr. HOPE. I would like to ask one question before we leave that. There is one thing that bothered me about this whole question of taxation of cooperatives, and that is: What should be done in the way of taxing income which comes from nonmember business?

Mr. HELINE. That is taxed now.

Mr. HOPE. Well, is it all taxed?

Mr. HELINE. Yes; I am sure all income to the cooperatives, so far as we are concerned in our organization. The audit statement sets out the amount of nonmember business and the member business, and the member business wherein you pay patronage dividend is the exempt amount, and that which you made any profit on, on the nonmember business, is treated exactly the same as any other private business, and there you do pay income tax.

Now, many of the cooperative organizations are totally exempt because they are altogether membership organizations, but we do have some in my State some members of our organization wherein there is a portion of the business which is done by nonmembers, and that is separated from that which is member business, and we have some cooperative organizations that pay a very high tax. They are no different whatever from private business on that portion of business done with nonmembers.

Mr. HOPE. I was under the impression there was some nonmember business or some types of nonmember business that were not subject to taxation. I just wanted you to clear that up a little bit. You say there are no types of nonmember business that are exempt from taxation?

Mr. HELINE. Not if they follow the rules of the game. There may be some companies that have exemptions that have—well, like any other organization, they may not have kept their membership right up to date, and they may ask for some exemptions that they are not entitled to. In those cases there is no excuse.

In other words, they should not be excused from paying tax. We don't hold any brief for any organization that is trying to take advantage of its opportunities because they may have 60 percent members and 40 percent nonmembers, or nonmember business, and then try to get by with some part of that 40 percent as being exempt.

In other words, there can be this: In the income-tax laws there is some leeway on that last 10 percent—that is, from 90 to 100 percent—that could be probably exempted. In other words, where is the line of demarkation between what they call 100-percent cooperative and one which permits a very small amount of business with nonmembers?

There could be a very small fraction of a cooperative business that would get into that category. However, as I say, that is still much more insignificant than the total amount to which we first referred.

Mr. HOPE. Let me ask you one other question that has bothered me somewhat. The tax of reserves—that is where you accumulate reserves by withholding the payment of dividends and you use those reserves for expansion. As I understand it now, it is up to the Commissioner of Internal Revenue to determine when a reserve is a reserve—that is, whether you are entitled to an exemption. You are entitled to a reasonable reserve, and it is up to him to determine what is a reasonable reserve, and beyond that you are taxed on what you might hold out as a reserve. Is that correct?

Mr. HELINE. It depends a little how you handle a reserve. If it is thrown into the present surplus or reserve, that is one thing; but if it is allocated for postponed dividends, that could be another. There may be a question, however, on the part of the revenue people as to

the length of time that they will permit the allocated dividend to remain in the business without being subject to tax.

In other words, if you have a revolving fund and it does not revolve freely or soon enough to suit the revenue people, it could be subjected to tax. Up to this point, I think there has not been any question if the funds would be revolving on the basis of approximately 5 years. There could be some change in the attitude of the revenue people with regard to that.

What happens is that in this retained or unpaid allocated dividend there really is no difference whether that is left in or whether it would be paid to me as a patronage dividend and I would return it to the company for use.

Mr. HOPE. That is true, but I suppose when it is retained, it is done by an order or direction from the member—that is, the board of directors of the cooperative does not say we are going to set aside so much for reserve or revolving funds this year and we are not going to pay that out in patronage dividends. If they do that—I am assuming they do it for expansion of the business—they have some authorization from the members, do they not?

Mr. HELINE. That is right. The board will no doubt take initial action and make the recommendation to the membership, and the membership will support the action or reject it. So it does have the approval of the membership, certainly.

The CHAIRMAN. Do the cooperatives have a uniform method of dealing with this problem or does each one deal with it as it determines it is to its best interest?

Mr. HELINE. It is quite uniform, because the requirements of the revenue people are pretty clear on that, and unless you do take action, board action and membership action, then always there is a question with the revenue people as to whether or not it can be exempted. So I think generally it is very clear on the part of the cooperative what the requirement is.

Mr. HOPE. I want to add this comment: I don't think you people have done a very good job yet in selling the public on your side of this controversy. Don't you agree with me?

Mr. VOORHIS. I do.

Mr. HOPE. I know you have done some things, but you are taking too much for granted, because the National Tax Equality League is doing a lot of work among small businessmen who have no interest in the thing at all. They are making quite an impression on them and they are making them think that their interests are at stake in this thing. As a matter of fact, I don't think they are at all, but they are making a real impression upon the small local businessmen all over the country, and I think you should get your story out over the country and refute the argument that they are using.

The CHAIRMAN. I think they are likewise bombarding Congress rather vigorously with this propaganda that they are putting out in statements and arguments. Therefore, it might be well for friends of the cooperatives likewise to furnish Members of Congress with the other side of the story. I am speaking now from my own personal experience.

I have received strong letters from men whom I am sure had no interest in this movement whatever, but it was due to the propaganda that the league placed in their hands and they were passing it on to

the representatives and asking them to take action. So it seems to me that is a problem that you boys have to attack just as directly and effectively as the league is doing.

Mr. HELINE. We are just perfecting a national association for the purpose of doing that very thing. I am certainly glad to know about your interest in this matter and hear the statements that you have made about it.

Mr. ARTHUR. Mr. Heline, there are a couple of questions that have come to our attention on which I would like to get your answers into the record.

First, are the earnings of cooperatives subject to the excess-profit taxes?

Mr. HELINE. If they are the type that do business with nonmembers, then they are subject to the same taxes as any other corporation.

Mr. ARTHUR. The same taxes that apply under the normal income tax apply under the excess-profit taxes?

Mr. HELINE. That is right.

Mr. ARTHUR. To the extent, however, that cooperatives are genuinely member cooperatives, you would be exempt from the excess-profit tax?

Mr. HELINE. That is right.

Mr. ARTHUR. Do you have any views with respect to this: Is that exemption of cooperatives from the excess-profit tax consistent with the policies that are underlying the excess-profit tax as a wartime measure?

Mr. HELINE. Well, I think probably I would answer that by saying this: There may have been too many difficult requirements on corporations. In other words, we probably ought to have some leniency on the tax question with regard to corporations, and I doubt very much whether there has been too little restriction on the cooperatives.

After all, cooperative organizations that invest their own funds into expansion should not be considered the same as excess profits in a corporation that might be used for expansion purposes.

Mr. ARTHUR. What is the distinction? I just want to get it for the record and for our own thinking.

Mr. HELINE. One would be actual profits, and the other would be savings that belong to the members that they themselves would subscribe for the expansion.

Mr. ARTHUR. What if these same farmers that subscribed and organized were to call themselves a corporation instead of a cooperative?

Mr. HELINE. That is the unfortunate part about it. I think that we are trying to treat our cooperatives as corporations and they are not. In other words, they should be looked upon as an association of people doing business for and with themselves rather than being placed in the same category with corporations.

Mr. ARTHUR. That now raises my second question. In talking with some people in the Treasury, they have felt that the cooperative form is being used for the development of some pretty big business, the development of oil fields, for instance?

Mr. HELINE. That is right.

Mr. ARTHUR. Do you have any reaction as to how that problem might be handled by the Treasury? Would it be through more leniency to the corporations in the field? Or would you define your

cooperative as I think you almost defined it a moment ago as a movement that is of and by the members, and in which they are very closely tied up?

Mr. HELINE. There is no reason why we should not have expansion on the part of the cooperative so long as the members are willing to make that expansion out of their own funds. Whether or not it would be wise to lessen the difficulties so far as corporations are concerned is questionable. My own opinion is that they have probably been restricted too much.

Mr. VOORHIS. May I interrupt, Mr. Heline, because I think Mr. Arthur's question should have quite a direct answer. It seems to me that the direct answer to it is that we should define what is the income to a cooperative. Now, money that flows into a cooperative is precisely the same, or almost all of it, as the money that flows in from purchases or from a sale of crops which are sold for members. That money in the hands of the cooperative for a temporary period is precisely the same as money in the hands of an automobile concern or any other industrial concern if under its charter and articles of incorporation it was duty bound to pay out in profit sharing to its workers or to pass on to the purchasers of its goods in a reduced price or something of that sort.

In other words, it all comes back to the question of a definition of what income is. Now, I think any cooperative to the extent that it has income is subject to just the same tax as anybody else.

Mr. HELINE. That is right.

Mr. VOORHIS. But to the extent that it does not have income, it cannot be taxed.

Mr. HELINE. That is right. I think that is stating my position exactly.

Mr. HOPE. So far as the difference between a corporation and a cooperative is concerned, if any corporation wants to give up the privileges it has as a corporation and become a cooperative and share the profits with the people who do business with it, it has that privilege.

Mr. HELINE. Exactly, any time.

The CHAIRMAN. You may proceed.

Mr. ARTHUR. May I ask one more question?

The CHAIRMAN. Surely.

Mr. ARTHUR. Is there a difference in your opinion from public policy's point of view between the farmer cooperative and a cooperative such as the small grocers' associations that have developed? Assuming that we are picking out those that are bona fide cooperatives from the small grocer memberships' point of view?

Mr. HELINE. Just what do you mean by "difference"?

Mr. ARTHUR. Should they be treated differently taxwise; or how far should the cooperative go in opening its advantages to small business organizations?

Mr. HELINE. I think any group of people regardless of whether they are producers or consumers should have the right, if they so choose, to band themselves together for the benefits that could accrue to that cooperative, regardless of the business in which they want to enter.

Mr. ARTHUR. What if they are retailers, would that rule them out? You said producers or consumers.

Mr. HELINE. No; I think that they could. In other words, you are thinking of strictly the consumer type of cooperatives in the cities where they are not producers and where they are——

Mr. ARTHUR. No; I am thinking of the group of small grocers who form a cooperative for the purpose of buying, advertising, and so forth. Should they be extended all of the benefits of the cooperative taxwise?

Mr. HELINE. Well, that depends a little. We have much the same kind of organization among cooperatives in regional groups. The distinction I think between the kind you are talking about and what we have in the producer field is that after all the member back here is the one who receives the ultimate benefit.

Mr. VOORHIS. And pays the taxes.

Mr. HELINE. Yes; that is correct.

Mr. ARTHUR. The member retailer would, too, wouldn't he?

Mr. HELINE. The member retailer, that is right, but it stops there. In other words, it does not pass on to the ultimate consumer in that event. However, there is no reason why he could not have all of the benefits of mass purchasing power, even though he did not have all of the benefits of the individual cooperative, that is, a cooperative made up of individuals.

We have a number of them that are going ahead and doing a good job, mostly because of their combined purchasing power. There could be some question as to the difference between that type of cooperative. It gets into the field of what we might call a pseudotype of cooperative; that is, trying to get all of the advantages of a cooperative, but still retaining all of the privileges of the private business. I think there should be a distinction between those two types.

Mr. ARTHUR. But you would think of a small business as being a socially desirable candidate for the same privileges that cooperatives have? I am trying to get a clarification of your position because I think there is a very broad social interest in these extremely small businesses which are alleged at least to be handicapped by their very size.

Mr. HELINE. Well, I would hesitate to make a positive statement on that point, because it is always the question of the size of that individual operation to the extent that they are small, and that they have difficulty in competitive society. In that case they should probably be granted some of the same privileges that some of the producer type of cooperatives now enjoy, because after all, their business might be quite comparable to the same kind of business which we have in the producer's field.

Mr. VOORHIS. Aren't you talking about a situation where a couple of dozen grocers get together and form a cooperative in order to make mass purchases?

Mr. ARTHUR. That is right. I would like to distinguish these from the purely formal retailer cooperative of the sort that is engineered and in fact owned by a wholesaler or by some other organization. I am thinking of the genuine small business and the fellow who is having a hard time getting along as an individual who decides he ought to get the advantage of mass buying by combining the purchasing through a wholesaler or cooperative buying arrangement.

Mr. VOORHIS. In such an instance, won't you agree, Mr. Heline, that those grocers, if under their cooperative charter they are compelled to repay to all of those 12 stores that make up the co-op at the

end of the year, the margin in savings which it effects, that then it should have exactly the same privileges?

In other words, that is no more income to that co-op than it is the income to a farm co-op—the money that it derives from the sale of a farm commodity.

Mr. HELINE. I think it is hard to distinguish between them. There could be some question as to the extent that might be done, but in the instance that you suggest, I think that they could qualify under any of the existing cooperative laws of our State and Congress.

Mr. ARTHUR. Aren't there laws that specify bona fide farmer or producer cooperatives that would exclude these by definition?

Mr. HELINE. You could to that extent, but they could have the same advantages even though they were not producers.

Mr. VOORHIS. The point I was trying to make a while ago is that Mr. Arthur is correct. There would be a distinction under the present law between a bona fide cooperative and the kind of cooperative he is talking about, insofar as they have actual income to the cooperative.

In other words, if they make a profit from doing business with nonmembers, or if reserve funds or something could be conceivably considered income to the farm co-op, then there is an exemption extended to the farm co-op that would not apply to the other co-op, but that is not the important thing. Now, the important thing is, What you are going to do about patronage dividends? It is the only matter of real consequence, and in that state they both are comparable.

Mr. HELINE. That is correct.

Now, there is another front it seems to me that we ought to go into if we are going to make any suggestions relative to the questions raised and that is this: Is the farmer going to have reasonable stability of income or are we going to have to attack that from other angles than from the purely agricultural field? In other words, it is not going to be enough to enact legislation for agriculture as such?

I think we are going to have to think of it in terms of the much broader field and if we are going to have adequate incomes for agriculture in the post-war period, it is going to be because of Nation-wide substantial income and probably some kind of a prosperous world that will accept reasonable percentages of our goods, both from industry and agriculture.

I believe that we are going to have to look to the future prosperity of agriculture on that front and that we are going to have to participate with other countries in various types of organizations giving more stability to the other countries than existed between the two wars.

Whenever a country can do much as it pleases, as was demonstrated between the two wars, it was a constant battle from whom purchases were to be made. No one country could depend upon an outlet for any given period of time.

Therefore, it seems to me that such suggestions as were made at Bretton Woods, for instance, regarding the international fund and the international bank, had in it some of the stabilizing factors that we need from a world trading point of view.

If you have enough nations subscribing to that kind of thinking, it would give us the necessary stability to depend upon outlets in foreign trade.

Suggestions have been made from time to time that we cannot depend upon the rest of the world to purchase many of our supplies because they are going to be very poor; they are going to have to tighten their belts and the possibility is not going to be there. However, if on the whole front of international trade we could create that stability, then I think that it would enlarge the opportunities on all of the fronts and that they could be purchasers. In other words, we could have trade both in buying and selling with those nations.

THE CHAIRMAN. Did you hear Dr. Karl Brandt late yesterday afternoon?

MR. HELINE. Yes.

THE CHAIRMAN. I am sure you were impressed with the fact that he painted a rather stark picture of our future relations with the countries of the Old World now involved in war as affected by the war.

MR. HELINE. I would not like to be as gloomy about it as he.

THE CHAIRMAN. The point I want to make is this: Do you think that that is going to be one of the problems of our Nation and our allies, and other nations that band themselves together in a cooperative effort, we will say, first, to prevent the recurrence of another world war? We have got to do something about the economic problems of these nations as well as the peace policies of these nations, don't you think?

MR. HELINE. That comes first. In other words, unless we have a very satisfactory solution to some of these economic things, we cannot hope to develop the peace front.

THE CHAIRMAN. That is right, and if we use the foresight and avail ourselves of our experience of the past, it does seem that we ought to be able to solve some of these problems and bring out a more orderly economic condition in these countries with relation to our own country.

MR. HELINE. On that point, the experience of the United Kingdom must be referred to. I spent a couple of months there last winter visiting with the farmers. I think the question that was raised by the farmers in the United Kingdom more than anything else was what our policy would be after this war with regard to pricing.

Agriculture over there became quite derelict in the interim because of competitive prices that the world had to offer that country and the farmers said they are desperately in need of supported prices. What happened was that there was a war on between the various surplus-producing countries as to who could supply the surpluses at the lowest price.

It does not seem to me that we can present a program that will again dump our surpluses in competition with other countries' surpluses, and expect to have the right kind of relationship to maintain. In other words, those people over there found that we were using various devices to permit our surplus-products to get into their country, the same as other surplus producing countries, and it merely drove the price so low that they themselves had to get out of the business.

Now, that does not build for the good will or the peace that we hope to have in the future. Only by international negotiation and conversation can you arrive at conclusions that will make reasonable prices to those countries, protect their own industry, and keep from breaking down the price levels the world over.

MR. HOPE. Are you speaking of agreements like the international wheat agreement?

Mr. HELINE. That is right.

Mr. HOPE. Is that something like what you have in mind?

Mr. HELINE. That is right. I think we are going to have to have various understandings on practically all of the commodities that we have surpluses on, because if we don't, and if we follow the suggestion of some in this country, that we have a two-price system, for instance, and that the surplus which goes on the world market merely seek its own level, and every other country does the same thing, after a while there won't be any level because they will beat each other down.

Therefore, we have to take into consideration the internal economies of the countries on the other side.

Mr. HOPE. I want to interrupt you again. These agreements that you are talking about would have to be agreements which would include consumer countries as well as producing countries?

Mr. HELINE. That is right.

Mr. HOPE. And they would not be worth much unless they did include consumer countries?

Mr. HELINE. I think you would have to have a very large number of countries involved so that your agreement would be between the producers and consumers.

Mr. VOORHIS. Do you think those agreements should govern price or volume of exports, or both?

Mr. HELINE. Both. I think one would be useless without the other.

Another thing that seems to me to be vitally important is this: In addition to the discussion and agreements that we might have on the agricultural products themselves, the way in which we develop the monetary aspects and the exchanges between countries is very important. The last time it was possible by a country adopting certain tariffs, for instance, and the next country by adjusting its currency exchange, and by various methods, there was a constant vying with each other to see who could do the thing that would be to its benefit rather than solving the problem by any common agreement. This time it seems to me we are going to have to think in terms of how we can have some stability in exchange, monetary matters, and exchange rates, so that it won't break down the other kinds of agreements that we might concur in so far as price or amounts are concerned.

I think it is equally true in this country that the thing we do in the fiscal and monetary field will have as much to do with the price which we receive as farmers as some of the other things which we might legislate about on the farm front.

In other words, it is something which is both national and international in character. For instance, on the tax question, yesterday it was mentioned a number of times that we have a very high national debt and that we are going to need high incomes to carry it. This is true, but it seems that the national debt, if it was properly managed, may not be the deterrent or altogether a deterrent or detriment to this country.

If it was properly managed and if a policy was promulgated that would be flexible so that it could bring benefits to us, that would be very important.

Also, since we have a pay-as-you-go tax program and if we have high incomes—as we have at the moment—there is no reason why the authorities, a monetary authority, should not tax heavily and create

additional funds, probably substantial liquidation of the national debt and then when things begin to drag and get rather tough, and when it looks like deflation is hitting us, there is no reason why we should not quickly remove the high tax and have it lowered to the point where we would have greater spending power—for example, deficit spending.

In other words, we could have a flexibility in there, it seems to me, that would give us the protection of very high inflated periods, and also a relief from the dips in the valleys of depression which we have to go through. That is only on the one front.

Then, there has been a lot of manipulation on the part of the thing we call money, that is, on the monetary side. I can remember back in the last war when there was considerable expansion of money and we went into that very high price period. Then when there was too rapid contraction, we took the tail spin.

The CHAIRMAN. Concerning that question—yesterday you were here during most of the discussion, weren't you?

Mr. HELINE. Yes, I was.

The CHAIRMAN. One man made the suggestion that there was no way out, and he made a very positive statement, unless we resort to a sales tax. Did you hear that statement?

Mr. HELINE. Yes, I did.

The CHAIRMAN. What do you think about that?

Mr. HELINE. I do not think that is necessary. I think there are other methods and ways in which this thing can be regulated, but I don't think it can be regulated in the haphazard manner in which it has been handled before.

I think we have got to have some definite thinking on the part of people who know something about it and not leave it to chance.

I think if we had a nonpartisan board made up of people from the various industries in this country that they could really devise a plan which would add up and give more stability than we have ever experienced before.

Mr. VOORHIS. Would you agree, Mr. Heline, that the taking of salutary measures in the field of monetary and fiscal policy to the end of stabilizing our economy, our supply of the medium of exchange and to a great degree our price level, is the proper function of Government, and to the extent that Government discharges that function well and sufficiently, it becomes to the same extent less necessary for the Government to interfere with individual activities in the economic sense of the people than it would be if they did not do that particular job?

Mr. HELINE. Exactly, I agree with your statement.

There are other international organizations that could affect us internally. For instance, food and agriculture. There has been a lot said about the nutrition topic and how important it is to us in agriculture.

The first statement I want to make is that if we are going to have good nutrition, we must have good incomes, Nation-wide and world-wide.

The other is that we should have much more education on that point than we have had up to date. But surely there are opportunities for agriculture in the field of food and nutrition the world over, and our greatest market probably is here in this country among the large group of people who haven't been eating sufficient amounts.

The CHAIRMAN. Would you include clothing in the nutrition field?

Mr. HELINE. No; I am thinking of food.

The CHAIRMAN. But would you include it?

Mr. HELINE. I think you might include it because after all in addition to having sufficient food it is necessary to have sufficient clothing.

The CHAIRMAN. During the darkest days of our depression we had a surplus of some farm food products, and yet we had people starving to death. We had a surplus of cotton, and we people in the South who were trying to get a market for our cotton found people who were in tatters and rags and didn't have any clothes. So it seems to me that those things go right together.

Mr. HELINE. That is right. I think there is a place for it. I was thinking mostly about food, but from a farmer's point of view, you make a point.

The income, the total national income, is probably the No. 1 thing, and then a balancing as between the several segments of society; that is, a proper relationship of incomes as between the different groups is certainly going to be essential. From the point of view of agriculture itself I would want to disagree with those who think that we ought to bring more people into agriculture in the post-war period.

We have now a very large proportion of people in agriculture who are our lowest in income in the Nation, and as we bring more people into agriculture we will increase that number rather than decrease it.

Probably we ought to take a couple of million out of agriculture rather than putting them in. I do not know what the answer would be as to where to put them if we did attempt to take them out in this period, but certainly I do not think there is any room for them in agriculture.

The CHAIRMAN. At a cotton meeting which was held in Washington last week, Secretary Wickard, and some other speakers, suggested that we decentralize industry—that that process must come about. For example, we should industrialize the South as it has not been before and make a place for people who should not be engaged in agriculture and who are not now engaged in agriculture comfortably. Now, that was a suggestion that seemed to me to be food for thought; that might help work out the social problem which will obtain if a large group of farmers are displaced, because of mechanization of agriculture that is going to bring about improved and more efficient methods of farming. I think that is going to result in the displacement of a large segment of our agricultural workers.

Now, we have got to find a place for these people. What do you think about that suggestion?

Mr. HELINE. Well, as a subsistence thing, it is all right. I do not like to think of the thing as being the answer. We may have to do it.

The CHAIRMAN. No, wait. You say it is a subsistence thing. We have to be realistic about this. If we displace these people who are now engaged in agriculture, take them out or make it so unprofitable that they can no longer pursue that occupation, it is still more than subsistence. These people have to be established in some other mode of making a living.

Mr. HELINE. I would be in hopes that it would be possible to develop a type of agriculture, or kind of agriculture, that would be

able to pay somewhat nearer the same kind of rates that industry could pay. At the moment they cannot, and I think that the worker in agriculture probably should be seeking employment in the industries that can pay more than agriculture can now afford to pay. When you begin to divide the earnings of a man who gets it partly from industry and partly from agriculture, I do not think he would be too valuable in either one. To me it just doesn't seem to be the answer. It may be the necessary thing to do in some areas. There has been a lot of discussion about it, but not very much has been accomplished.

The CHAIRMAN. Suppose we, as is being advocated, increase the minimum wage and give these people a chance to make not a mere subsistence but to live as American citizens should live. Wouldn't some program like that have to go along hand in hand with this decentralization?

Mr. HELINE. It may be necessary as a conversion measure.

The CHAIRMAN. In other words, I do not think we can hope to get along in our country with a large segment of our people on just a bare subsistence basis.

Mr. HELINE. That is right. That is the thought I had in mind.

The CHAIRMAN. That is the problem I think we have to consider.

Mr. VOORHIS. May I ask a question at that point, Mr. Chairman?

The CHAIRMAN. Yes, indeed.

Mr. VOORHIS. I think, Mr. Heline, there is real hope in the kind of thing you are doing right now, and I would like to ask you to comment on this statement: Isn't it possible by means of cooperation to broaden the periphery of the field of business from which the farmer derives a portion of his income? What I mean is this: Let us take one farmer over here, and all he does is grow a staple crop, sells it for cash and purchases all the things he has to have. Over here is another farmer who belongs to a marketing co-op which assists him in getting a better price for his commodity when he sells it, which brings, therefore, to the farmer a portion of the margin from the same, and the handling of his commodities that formerly went elsewhere, and adds that to the farm income. This same farmer also belongs to another cooperative which may manufacture fertilizer or feed or something of that sort, where he, in effect, is a part of a cooperative business manufacturing those things and where the margin of profit from the manufacture of those things is likewise added to farm income. Isn't there some hope in that direction?

Mr. HELINE. Oh, yes; a great deal of hope; but that is only one. In other words, that won't solve the problem if the other things are not in balance or if they are, they aren't on a reasonable level. We think there are very great opportunities in the very thing that you mention, and in many instances it is the thing that creates that difference between, say, profit and loss.

Mr. VOORHIS. It has this great advantage also, that it doesn't rely on governmental assistance and is something people do for themselves.

Mr. HELINE. That is right.

Mr. HOPE. I know you have answered the question, but I want to comment a little on that myself. That really isn't going to do anything—and Mr. Voorhis knows I am a very strong believer in cooperatives. I am not sure that the figures are correct, but 50 percent of the farm population produce something like 10 percent of

the crops and have 10 percent of the income. That, of course, includes some part-time people. That is not quite as bad as it sounds. But nevertheless if you double the price of farm commodities, you still have those people way below the decent margin for existence as far as income is concerned, and even if you did everything that you are suggesting here, you would not give them enough to really amount to anything.

Mr. VOORHIS. I think that is probably true.

Mr. HOPE. While we are on that particular point, there is nothing in any of the remedies that anybody has suggested that can do very much for that 50 percent, is there, as far as giving them a decent income is concerned?

Mr. HELINE. That is the reason I made the suggestion that we probably ought to have a couple of million taken out of agriculture from that group that do not make enough for a decent living, and where their incomes per hour are much less than incomes in industry would permit. If they could be shifted out of agriculture, then you could take that lower 50 percent that you refer to and divide the total income of that percentage with a lesser percentage and probably get some kind of decent living. You cannot take such a small amount as they receive and buy or sell anything by the cooperative method, as far as the management of that small group or volume is concerned, and give them a decent living. You have got to have less people to divide that income with.

Now, as to the other 50 percent that you talk about, the suggestion made by Congressman Voorhis would apply very materially. In other words, there the savings of a large volume of business would be very important to that particular farmer. In other words, in my own case it might mean several hundred dollars per year. It could mean more dollars per year to me than the total annual income of the farmer in the lower 30 or 40 percent. What applies in one case does not necessarily mean anything in the other. You are going to have to do something to lift that great number of people that now receive such a small total annual income.

Mr. VOORHIS. Except the very experience of joining together in a cooperative effort to solve one's problems in many instances gives people a new hope and new pooling of ideas which may in and of itself be of some assistance—I do not mean to solve the problem but to start folks on the way to a solution of the problem. I think even that that spiritual value, if you will, from the experience of cooperation, may be important for almost everybody.

Mr. HELINE. I would not disagree with that.

The CHAIRMAN. All right, sir; proceed with your statement.

Mr. FISH. There is one thing. I wonder if you would care to discuss and recommend anything to the committee in the way of substitution for subsidies.

Mr. HELINE. I do not particularly like subsidies, but sometimes they are very necessary. I do not like to think of them in terms of being a permanency in agriculture. I think there ought to be some way in which we could in the long run get away from them.

Mr. FISH. That is my question. Leaving out what we might call a war emergency and high costs, and so forth, lack of labor, machinery, and all that, we are planning for the future, and we assume and

hope on a permanent basis. What would you suggest, as an expert on farm problems, to replace subsidies?

Mr. HELINE. Subsidies might always have to be used to a limited degree. I think at the moment we would probably get further if we would reduce some of our high support figures. The high support values of agricultural products today do not give us very much chance for the flexibility necessary in agriculture to adjust for the demand.

Mr. FISH. You see, the difficulty that I face is that a great many farm organizations and a great many farmers themselves say: "We don't like subsidies. We will take them in an emergency, of course, but we would like to do away with them. We are opposed to them."

I would like to have a concrete suggestion. It is something I would like to find an answer to here from you people who are experts.

Mr. HELINE. I am not an expert. I am just a farmer. But the point is, if we have to have subsidies constantly in agriculture, then my opinion would be that it would not be in a healthy state and there must be something else done to it; that it should only be in the emergency, in the valleys of depression, and other difficult times, that you should depend upon subsidies as any major part of income to agriculture. We are probably going to have to change some of the rules and regulations of the past number of years where we have made our agricultural program more or less inflexible, and again get back on a basis where we will have a little more freedom of change from commodity to commodity; independent action upon the farmer himself, in order that we can do away with this constant subsidization.

For instance, at the moment, with a 90-percent or better supporting price of agricultural products, if I happen to be a grower of the product that has that kind of support price in the area in which I can produce it quite cheaply—that is, at the average cost or less than the average cost of production—there is no reason why I should get out of it even though we are producing too much of the product. In other words, there is a very great danger, it seems to me, of having accumulation of surpluses that become uncontrollable by having that kind of a high support price.

A year ago, to make a case in point—

The CHAIRMAN. Pardon me just a moment. We all realize that is the bane of agriculture—surpluses—isn't it?

Mr. HELINE. That is right.

The CHAIRMAN. Unwieldy surpluses. Yet I recall that in the depths of our depression that was the thing that brought disaster to the farmer. You had no subsidy, no control. In other words, he produced at his will. It was surpluses, they told us, that utterly destroyed his prices and drove literally thousands of American farmers into bankruptcy.

Then we embarked on the program, and you think—and we will all have to agree with you—that when you put a floor, 90-percent parity, under farm products—cotton is now 95, I believe—we are still confronted with the problem of unwieldy surpluses that just threaten to upset our whole agricultural program.

Mr. HELINE. That is right.

The CHAIRMAN. So we have the two situations. Now, the thing that bothers me is what are we going to do about it? I am in accord with Mr. Fish on that point. How are we going to handle it? That is the thing we want to work out.

Mr. HELINE. I am sorry that I cannot give you the answer.

Mr. HOPE. On that point, you heard Mr. John Brandt yesterday afternoon. Would you want to comment on the plan that he suggested?

Mr. HELINE. What point do you have in mind?

Mr. HOPE. His program, which amounts essentially to the McNary-Haugen plan of Government agency which would be handling—

Mr. HELINE. That was John Brandt. Well, of course, I think that he was using entirely too narrow a figure in what he had hopes would control the thing; in other words, using 5 or 10 percent as the amount which would be used as equalization fee. In other words, when you actually get into real surpluses, I think it would bog down under its own weight. It would be quite impossible to have it as a solution, although it had in it some of the elements that we have when you have a lower support price so that you have some flexibility of price, and it may have something of merit in it.

The thing that bothered me more about that than any other thing was the fact that the surpluses at a price would be used for export. There again I would have to go back to what I said first—that I think there is a great deal of danger from an international point of view to the peace that we hope to have, of having these exportable surpluses at a price so low that it bears down the world price. That is probably what would happen under his plan, if you ever got into real surpluses.

Mr. HOPE. But if you had his plan and had these international agreements, might not the international agreements take care of that?

Mr. HELINE. You might then be able to set that exportable surplus to where it would fit into the international agreement so far as price and amount is concerned.

There is one other thing that might be coupled with it, and he did raise the point, of using surpluses in industry. I think it has a lot of possibility in some of our commodities that we could in times of low prices, times of surplus, when prices should be permitted to seek a lower level, utilize in industry quite satisfactorily maybe as much as 10 or 15 percent of a total product.

For instance, our grains in alcohol. We have the plants and facilities now existing, and it might be very possible to utilize a lot of our commodities in that and other fields.

Of course, again you get into the question of competition with imports that we might want to again revive, that it would be competitive with, unless you used it altogether in the fuel front. If you used alcohol in the fuel front, then I think it would have a lot of opportunities.

Mr. HOPE. Now, there is another question I wonder about—I did not ask Mr. Brandt about it yesterday, because it was getting late—but you are a businessman who deals in farm commodities, and I was wondering if there would be any difficulty in applying an equalization fee to a commodity where you had a good many different types or grades of the commodity. He has simplified, of course, what he was talking about—that is, an equalization fee of a certain percentage, just on the theory that cotton was cotton and wheat was wheat, I suppose—but you probably would have to work out some differential there, wouldn't you, or would there be any difficulty in that?

Mr. HELINE. I do not think that there would be any particular barrier, because you deal in the commodity by grades rather than as a commodity, and your equalization fee would be on a percentage basis rather than a total value of the product. I do not know that that would be too material.

Mr. HOPE. I do not have any ideas on it at all; but I wondered if, as a practical matter, it would be somewhat difficult to handle.

Mr. HELINE. I do not think, too much.

The CHAIRMAN. Now, I have one other question. You started out with the premise that you think we have to have higher income for the farmer in order that he may have the necessary purchasing power to stabilize our economy.

Mr. HELINE. I do not know that he should be first. I think it goes together. I think we have to have a total high national income.

The CHAIRMAN. Did you hear Mr. Karl Brandt, of Stanford University, yesterday afternoon?

Mr. HELINE. Yes.

The CHAIRMAN. He advocated a low, comparatively low, ceiling for farm commodities, which, of course, means a lower price for farm commodities. What would be the effect of that on our economy?

Mr. HELINE. I did not understand him to say "a low ceiling"; a low support price.

The CHAIRMAN. I understand; a comparatively reasonably low support price.

Mr. VOORHIS. Not a ceiling.

The CHAIRMAN. No; a support price.

Mr. HELINE. Of course, I have said almost the same thing.

The CHAIRMAN. He said we could not afford to have a floor price at parity, as we are now figuring it. He advocated, as I understood him, a reasonably low floor or support price. Now, what do you think the effect of that program would be on the purchasing power of the American farmer in the post-war economy that we are trying to work out?

Mr. HELINE. Well, the fact that you would lower the support price would not necessarily mean that you would lower the price to the farmer. That does not always hold. In other words, there are times when the support price adds to the income, but there are other times when it is totally ignored, and we have that now. For instance, since last winter, when we had the very great difficulty of keeping hog prices at the support price—

The CHAIRMAN. Let me interpose. We are dealing now with an abnormal war condition. We are trying to think about a time when we are back to a normal peacetime program that we can tie onto and go forward with. Everything is upset now—we know that—like fats, oils, meats, everything. It is all directed to our war effort. I am thinking now of looking beyond that time.

Mr. HELINE. Well, if our support price is high so that it is profitable for me to produce that particular item, and enough of us produce it, unless we have a very large market such as we have at the moment, there is only one answer. There will be gluts again of surpluses, such as we have had even in wartime and as we had without any of these rules and regulations prior to the war.

The CHAIRMAN. Then you look with favor on his suggestion?

Mr. HELINE. I probably would not want to go as low as he may want to go, but I think we should have a lowering of the support price.

The CHAIRMAN. You think there is something to the principle he advocated?

Mr. HELINE. That is right; because it is going to be necessary for some of us to get out of the business of producing certain commodities, and there is no inducement nor necessity to get out of producing certain commodities that now have such a high support level that we just cannot afford to attempt anything else. It is unnecessary for us to do anything else, because that support price to us is entirely satisfactory.

Mr. VOORHIS. May I ask you this, Mr. Heline: Would you say that the support price or floor price should be handled in such a way as to be a positive inducement to farmers to produce those things which we are still reasonably short of from the point of view of domestic need and to encourage them to go out of producing those things in which we have a large exportable surplus?

Mr. HELINE. That is all right. That makes sense.

Mr. VOORHIS. Is that what you are saying?

Mr. HELINE. Whenever you use it as an inducement for the production of things we have as against having a support price on a product which is exportable, that is a different thing.

Mr. VOORHIS. Do you think that is a principle that should apply to a support price?

Mr. HELINE. That is right, rather than the way we have it now, now, we have a support price whether we need it or not.

Mr. HOPE. Right at that point it seems to me there is a lot of confusion over the use of this term, "support price," because we have used it in two different ways. Before the war we had commodity loans on some of the staple crops, and we called that a support price, and they were down—well, they started out at 60 percent of parity, and then they kept creeping up. Now, we called that a support price, and those support prices obviously were not designed to increase production of the commodity, because they applied to surplus commodities. We were trying to keep the floor there, to keep the price from going clear to the bottom.

Now, since the war has been on, we have had support prices on a lot of other things, some of them way up above parity—well, I am not sure about soybeans. I think that is above—but there have been some commodities where the price is above parity because we want to expand production, and in order to induce farmers to go into those crops, we put those floors way up.

In our talking here, I think, in this meeting and other places, we have confused those two different purposes. It seems to me in considering the post-war situation we have got to keep in mind that there are two different kinds of support prices that we are talking about.

Mr. HELINE. That is right. If we will differentiate, and if we will use support prices for the purpose of getting into the kind of commodity that we need, that is fine.

But in this recent period we have been moving all support prices up right near the parity mark. Then what has happened is, we have had to have material increases further and further for the other support prices for the purpose of getting added production. In other

words, when I can get 90 percent of production for producing corn, the only way in which I will produce soybeans is if the support price is very materially above the parity level, and so probably we ought to do a little lowering as well as raising. Then we would have more flexibility in production.

Mr. HOPE. But I still maintain the distinction after the war between the two types of support prices. Mr. Voorhis suggests you might have one support price as a method of supporting production in the way of a deficit crop, but you wouldn't want to confuse that with a support price on cotton or wheat or some other surplus, that is, you couldn't apply the same principle.

Mr. HELINE. I agree.

Mr. COLMER. Mr. Chairman, may I just ask Mr. Heline: You wouldn't say you were opposed to support prices as such?

Mr. HELINE. Oh, no. It is just a question of the level at which they are placed. In other words, I think the principle of support prices is fine, because it gives you a stop in what otherwise could be such a seriously low price that it could ruin agriculture. I think the public interest is great enough in maintaining agriculture on a good basis that it can afford to make some contribution in the way of support price during those periods.

Mr. COLMER. The Congress has already passed legislation authorizing support prices for 2 years after the war. That may not be the answer during that transitory period, but have you any suggestions of what might be more adequate than that?

Mr. HELINE. The only thing, if we went back to what we just said, that if the support prices would be on a different level from what they are. I appreciate that Congress is no doubt going to attempt to live up to the agreement it has made with the farmer. It is very nice that those who are in the farming business have that kind of guaranty, but it could also lead us to very grave consequences following that period. I am just as much worried about that period 2 years after the war as I am the 2 years immediately following the war. In other words, you can establish such rules and regulations and such a policy that when we get to the jumping off place it can be a very difficult one either for the farmer or for the Congress to maintain any semblance of the same kind of relative values, because of the creation of such burdensome surpluses. As I say, it just seems to me it isn't the only answer by any means.

Mr. COLMER. I don't think it is, either. It is a stopgap proposition, and an over-all attempt to do something during this transitory period.

The CHAIRMAN. Have you any further statement on the cooperative movement you would like to make?

Mr. HELINE. I don't believe so.

The CHAIRMAN. We certainly appreciate your coming before us and the very fine statement that you have given. I am sure the information you have conveyed to this committee will be very helpful in our study of the big job that we have ahead of us.

We now have with us Prof. Noble Clark, of Wisconsin University, who has consented to make a statement. Will you please proceed, Professor Clark?

TESTIMONY OF NOBLE CLARK, CHAIRMAN, COMMITTEE ON POST-WAR AGRICULTURAL POLICY, ASSOCIATION OF LAND-GRANT COLLEGES AND UNIVERSITIES

Mr. CLARK. I assume I am here in my capacity as chairman of the committee on post-war agricultural policy that was appointed by the Land-grant College Association.

The CHAIRMAN. That is right.

Mr. CLARK. So I have brought with me the secretary of the committee, who is in many ways the brains of the organization. If you ask me questions that I can't answer, I would like the privilege of referring them to him.

The CHAIRMAN. Mr. Clark, have you a prepared statement?

Mr. CLARK. Yes, I have.

The CHAIRMAN. Would you prefer to read that without interruption?

Mr. CLARK. I would be glad to.

My name is Noble Clark. I am chairman of the committee on post-war agricultural policy that was appointed a year ago by the Association of Land-grant Colleges and Universities. That is the organization that is made up of the agricultural colleges of the Nation. I happen to be the associate director of the Wisconsin Agricultural Experimental Station.

My associate, who is with me, and who is the secretary of our committee, is Prof. Leonard A. Salter, Jr., of the department of agricultural economics at the University of Wisconsin.

At the request of your committee, I have sent you previously copies of the preliminary mimeographed report of our committee, but I will be glad to supply the printed copies which will be complete, which are expected from the printer in the very near future.

The CHAIRMAN. We would greatly appreciate receiving a copy of the report.

Mr. CLARK. The committee on post-war agricultural policy of the Association of Land-grant Colleges and Universities was appointed in January 1944, to draw together a statement on farm problems and agricultural policies for the post-war years. After a series of discussions with representatives of the national farmer organizations, the United States Department of Agriculture, and all of the land-grant colleges, and with some other consultants, the committee presented a report to its association at its annual meeting in Chicago on October 25, 1944.

We are able now to present mimeographed preliminary copies of the report. Printed final copies, which vary in some details from the mimeographed edition, will be off the press within a week or 10 days, and we shall be glad to make them also available to your committee. The report explains the set-up, purposes, and point-of-view of our committee, and deals with a wide range of agricultural policy problems.

Time does not, of course, allow a full review of this report, so my statement is pointed toward the specific request contained in Chairman Colmer's telegram of December 1, 1944. This telegram requested—

a statement regarding: (1) Basic long-run policies to lessen instability of income resulting from variations in production and demand, (2) basic policies to place

agriculture on a satisfactory self-sustaining basis in long run, (3) policies to promote higher levels of consumption and nutrition, (4) relationship between our foreign-trade policy and domestic agricultural policies.

Herewith is a brief outline of the views of our committee in respect to these topics. Prof. L. A. Salter, Jr., secretary of the committee, who is here, and I will be glad to expand on such of these points as you may be interested in, insofar as our committee has dealt with them.

(1) POLICIES TO LESSEN INSTABILITY OF INCOME

Our committee puts first emphasis on full industrial production and nonfarm employment as important factors for stabilizing the level of agricultural income. We feel that no issue is of greater importance to stabilizing farm income than that of maintaining urban purchasing power.

This problem is not, of course, within the hands of farm people, but farm groups should put their weight behind measures that would encourage substantially full employment. Some programs that will help meet this goal are given in our report. They include coordination of public fiscal, credit, and economic policies through some such agency as a national economic policy board, that would advise Congress, the public, and governmental agencies as to adjustments and procedures in monetary, debt, public works, or other programs to offset trends toward inflationary booms or deflationary troughs.

Our suggestions also include tax reforms toward personal income and death taxes instead of consumption and business taxes, extension of social-security plans, and possibly the establishment of a general economic stabilization fund for encouraging continued production. Our committee also recommends subsidized consumption of low-income groups at all times, and expansion of such a program if unemployment develops.

Within agriculture, there should be crop insurance programs for farm products that are particularly susceptible to climatic hazards. If widespread urban unemployment should develop in spite of the measures urged to offset it, there should be a system of supplementary income payments to farmers, based on farm family living needs and the cash outlays necessary to maintain farms in productive condition. Also, in periods of widespread hardship, farm mortgage payments, which constitute one of agriculture's most rigid fixed costs, should be waived except to the extent of a landlord's rental share.

All farm people should be covered under the old-age and survivors insurance features of the social security system, and farm wage hands should be covered under the unemployment compensation provisions as well.

(2) LONG-RUN ADJUSTMENT POLICIES

Our committee is very much interested in the idea of setting the goals for agricultural programs on a long-run basis so that, in the words of Chairman Colmer's telegram, agriculture may be put on a "satisfactory self-sustaining basis in the long-run."

Basically, this means that farm programs must be flexible and must help to bring about socially necessary changes rather than merely to stave them off. Our committee emphasizes the statement that—

public funds should be used primarily to bring needed adjustments about more easily and rapidly than they would otherwise take place and to cushion the shocks

involved; the public interest will not be served by maintaining resources in uses for which they are not needed.

It is necessary to recognize that over time, the proportion of people engaged in farming falls, even as the supply of food and fiber available for consumption increases. At the same time, the rural segment of our population more than reproduces its own numbers. Therefore, the movement of people from dependence on farm income to essentially nonfarm employment is continuous.

We must, therefore, see to it that instead of freezing a certain pattern of agriculture, we must put our efforts directly to encourage shifts in types of farming away from production that is not needed. Also we must have public programs that will better train our rural youth to take their place in nonagricultural occupations and that will bring more nonfarm employment opportunities closer to the places where our surplus rural population is. This means the encouragement of industrial decentralization and a more adequate program of employment services for rural people.

It also involves a much improved rural educational program, including vocational training in nonagricultural subjects. To make this effective, increased State aid and generous Federal assistance will be necessary. Always our emphasis must be in terms of opening doors of opportunity for farm people and their children to make the greatest use of their talents rather than in terms of freezing some historical pattern of agricultural production.

If I could paraphrase, I would say that that sentence is my text, the one I just read.

It is also important for long-run stability in agriculture that positive action be taken to allow farmers greater security in the holding of their land. This means further improvements in farm credit, land tenure and farm tenancy policy, and in action to prevent excessive land prices.

(3) CONSUMPTION AND NUTRITION

As already mentioned, our committee favors a subsidized consumption program for low-income people even in good times. If unemployment develops, such a program should be expanded. We must recognize, however, that such programs must be based on the needs of the consuming families and not on the existence of surpluses in certain products.

Along with this, there should be provided a larger and more thorough program of nutrition education and research.

Among our farm people, there is need for a nutritional program which would involve not only hot school lunches for rural school children, but also an expanded program of nutritional education among farm families.

(4) FOREIGN TRADE POLICY

The position of our committee with respect to foreign trade policies may best be presented by a few direct quotations from our report.

In the long run, this country cannot expect to sell abroad unless it is also willing to buy. If we follow a policy of narrow economic isolation, discouraging the importation of foreign goods into the United States, part of the price we shall have to pay is a curtailment of the overseas market for American farm products. An even larger price we might have to pay is another world war.

Full opportunity to engage in export and import trade will be realized only if nations the world over permit it, making possible what is known as multilateral trade.

In the past, obstructions to international trade have hit particularly hard the American producers of cotton, tobacco, wheat, hogs, and certain fruits. But farmers who produce for the domestic market also have been injured, because when export outlets are reduced, the tendency is for those who would ordinarily produce for them to shift to commodities sold at home, thus intensifying competition in those lines.

A two-price system to dispose of surpluses is being advocated. Under this plan, products would be offered abroad at lower prices than those prevailing in the domestic market. This proposal has decided limitations. For one thing, it assumes the existence of an active world market ready to absorb any and all products which may be exported.

It assumes further that other nations will not oppose a practice of dumping by the United States. This is unrealistic, because most nations, including our own, have restrictions against dumping. Moreover, it is questionable public policy to supply consumers in other lands with products at lower prices than those charged our own people, except as this may be a part of a program of foreign relief.

Were such a program to be employed, it would tend to restrict rather than expand foreign trade opportunities because it would lead to demands for additional barriers to imports to keep the products sold in this manner from returning to our own markets. This program clearly offers no solution for the problem of exports.

Quite aside from the need for foreign outlets for agricultural products, farmers stand to gain from international trade on two other counts: (1) Expanding overseas markets for industrial goods favors a high level of employment in the cities, promoting a good domestic market for farm products; and (2) farmers as consumers benefit from having access to various imported products.

Assuming that we shall be able to hold foreign markets for farm products, we nevertheless need to recognize that our agricultural exports will consist largely of the same kinds of commodities we shipped before the war. Although lend-lease has moved abroad American butter, cheese, eggs, and beef, we do not ordinarily export much of these products because we are at a relative disadvantage in producing them, and hence cannot expect to continue exporting them in large quantities.

Because of the extent to which cotton has been grown for export, the question of whether permanent acreage curtailment will be needed will be answered mainly by what happens to the foreign market. This in turn depends upon the trade policies of other nations as well as our own, and the price policy which the United States may adopt.

One lesson of the 1930's is that artificially high prices for cotton in this country invite increased competition from other areas, and thus lead to a loss of foreign outlets for the American product.

A sound policy on cotton must provide for an international trade program which will enable the United States to retain as much as possible of the world market. It may also need to include a domestic program to encourage a shift in American cotton production to those areas best able to hold their own in world competition and best able to yield a satisfactory scale of living for cotton producers.

Shifts already have begun, and are bound to continue, in the relative importance of cotton in various parts of the South, with areas having greater advantages in the production of this crop tending to replace some of the less favored sections of the Cotton Belt. As mechanization progresses, the pressure for a shift to move level areas can be expected to increase.

Public assistance will be needed in certain areas requiring large-scale shifts out of cotton production. Such aid should be positive in character, reasonably temporary in nature, and directed toward the partial replacement of cotton by other types of activity including the production of food for consumption by the farm family. At the same time new and adaptable types of farming will need to be developed, and in some areas part of the population may have to be encouraged to engage in part-time farming and nonagricultural employment.

Mr. VOORHIS. Mr. Chairman, how long is each of us going to have to ask questions about this?

The CHAIRMAN. Well, we certainly want to give every member of the committee a chance to develop any thought that he may have in mind.

We certainly appreciate that statement, Dr. Clark.

Mr. VOORHIS. I would like to say there is about as much in those seven pages as I ever heard in a comparable length of time in my life.

Mr. CLARK. Thank you, sir.

The CHAIRMAN. There is one thing I would like to ask you about. I am primarily interested in cotton, because I come from a cotton-producing section, Missouri.

Mr. CLARK. Yes, sir.

The CHAIRMAN. You have stated here some of the things that we must do to solve the cotton problem. What is your idea about the effect of synthetic products on cotton in the future?

Mr. CLARK. I don't think that our committee has made any examination of the progress of synthetics in replacing cotton that would be any contribution to your knowledge on this subject. We have not gone into that. I can simply say that we feel that we have got to expect technological progress, both within agriculture and outside of agriculture, and if we want a rising level of living for people on the land and for all citizens, we should be in a position to take advantage of that technological progress, rather than try to freeze any present pattern in order to protect the people that are in it.

The CHAIRMAN. In other words, the cotton farmers might as well make up their minds that they have to meet that problem when it comes?

Mr. CLARK. I would think so. If I could say off the record—

The CHAIRMAN. You may do that.

(Discussion off the record.)

Mr. VOORHIS. May I follow that up? It would be important, however, in the case of technological improvements in farm production, to try to take measures which would protect the farm producer against having all of the advantages from increased production go to somebody else while all the disadvantages from reduced price accrue to him.

I don't know that I make myself clear, but I can see that the increased mechanization and technological improvement in farming is, of course, going to come, like it comes other places. I think there is every chance, if we are not careful, that the farmer will get it in the neck as a result of that, not merely because of the fact that more can be produced, but over and beyond that, because he does not receive the corresponding benefits from increased per-acre production and production per unit of labor which he would be entitled to as an offset against the tendency to produce more.

Mr. CLARK. I merely want to refer to the statement that I just read, copies of which you have. I quoted the committee as saying that in our judgment, Government efforts to help farmers in production adjustment matters should be aimed at the facilitating of those adjustments, not prevention, and to cushion the effects so as not to make it impinge too heavily on the people who are most adversely affected. You remember I made that statement, which I think checks exactly with your thought, but my associate, Professor Salter, has said he has an idea.

Mr. SALTER. It is simply on the point that different technological changes have different effects with respect to the speed with which the benefit is either passed over to the consumer or the processor or retained by the farmer. If the technological development results

in a very rapidly increased output, then, of course, the benefits tend to move quickly over to the consumer. Other technological changes don't have the same elements in them, and the benefits are more nearly all retained by the farmer. It depends on the particular technological development.

Mr. VOORHIS. But there is a third possibility; namely, the technological change might reduce the cost per unit, but because of a bottleneck or tightly controlled marketing situation, the benefits will all be taken by the people in the middle, between farmer and the consumer.

Mr. SALTER. I mentioned there were three ways.

Mr. COLMER. In that connection, Mr. Chairman, if I may, I am very much interested in your statement, Dr. Clark—

Mr. CLARK. Just for the record, I am not a doctor. I am just a plain layman like the rest of you.

Mr. COLMER. Fine, Mr. Clark. About the future of cotton. Now, we are talking about these technological advancements. I can see in the plains of Texas, in the Mississippi Delta country, where these improved methods of cultivation and harvesting would be very advantageous. What is going to happen to the small hill cotton farmer when that has reached some degree of perfection?

Mr. CLARK. I am going to read my text again, if you don't object, which says this:

Always our emphasis must be in terms of opening doors of opportunity for farm people and their children to make the greatest use of their talents, rather than in terms of freezing some historical pattern of agricultural production.

There are people in the hills who have been raising cotton. The biggest opportunity, in the judgment of our committee, for the Government to aid those people, is not to subsidize them, and thus say, "Stay in the cotton business," where they are at a decided competitive disadvantage, but rather through educational methods and other alternatives, open up new opportunities for these people to use their labor in some other enterprise, either at home or, if necessary, elsewhere, but preferably and above everything else, to give every rural boy and girl an education that will enable them to go any place in America and compete, if possible, on a parity with other boys and girls who are born in areas where there is larger economic wealth to provide an education. Opportunities anywhere in the United States should be made widely known to all of these rural boys and girls, so that they have the same chance to improve their economic position that any other youth has.

Mr. COLMER. That is splendid, Mr. Clark, in its theory, and that is already being done, as you are aware, on a small scale, although inadequately.

Mr. CLARK. I agree with you, sir, that it is going to be a long drawn-out process.

Mr. CLARK. I would say that the trouble has been that most of our attempts to deal with agriculture's problems in America, in the words of our committee, have been in terms of trying emergency remedies, and treating the symptoms, instead of getting at the causes. We should undertake these long-time programs, for we believe if we are going to get anywhere, we have got to remove the underlying causes. To the extent that we can, we of course should use palliatives to take

care of immediate symptoms. But we should not limit our programs to treating symptoms the way we have in the past.

Mr. COLMER. I say that I cannot argue with that, because it is sound. On the other hand it must be borne in mind that a large percentage of the people engaged in producing cotton are on these small farms to which I referred. I am thinking about the time before you reach the fruition of this theory, what is going to happen to these people? It is rather a perplexing thing. I agree with you, sir, that you should not attempt to stop progress in the development of farm machinery, and so forth, but there is going to be a period in there when these people are going to suffer materially. You don't force people out of their traditional habits and methods of livelihood overnight.

For instance, I represent a district, if you will pardon that personal reference, where about 15 counties of my district have been producing cotton for many many years. The only other industry of any size in that district has been saw milling.

Now, the timber has been largely cut and the only thing left on any large scale is cotton. It is going to be a very slow process in this educational program of getting those people out of cotton into something else. As I said a moment ago, there is an educational program going on now for a diversification or change, but it is necessarily a slow process.

Mr. CLARK. Well, speaking for the committee, I would say, sir, that we certainly have no objections, and in fact we are in complete sympathy with any program which attempts to alleviate the distress that these people find themselves in who are on units that are so small or so unproductive or otherwise inadequate to provide them with what we think of as an American level of living.

We would regret to see Federal money or any other public money used to try to stabilize those people or the enterprises in which they are engaged, if to do so merely means freezing a pattern which is inefficient and incapable of holding its own in a free economic situation.

Mr. COLMER. I am merely groping in the dark, trying to get the benefit of your study on the problem.

Mr. CLARK. But if I could just take the next step, it would be that I think too often we talk about decentralization of industry so as to use some of this surplus labor, and I referred to it in this manuscript which I just read, but we forget that industry is not likely to move into areas where you have both raw materials and raw labor. They want trained labor and too frequently the areas of the United States where we have large numbers of the rural people who are unable to make a good living in agriculture are not areas in which we are training those people in anything like an adequate manner for nonfarm occupations, and it is merely wishful thinking to talk about industrial decentralization until society does something to develop in those areas a type of education which will develop those people to where they will be something more than unskilled laborers.

Mr. COLMER. I do not know, sir, that I am in accord with that statement. Again referring to my own local district in which there has been a gradual tendency to shift to manufacture and other industries, the manufacturers who have come into that district—garment manufacturers, and in another instance a paper bag manufacturer—have talked with me and tell me that the labor they get

there is far superior to the labor that they have found in other sections; that these farm boys and girls make most excellent laborers, and they find their experience very profitable.

Mr. CLARK. You did not ask me a question, I take it; you made a statement?

Mr. COLMER. No, sir; I am just answering your statement.

Mr. CLARK. I think we are agreed. I am only saying that I think you would go along with my earlier statement that if these folks are going to get wages of skilled workers, and if the enterprises that are going to be decentralized are something more than those who just use relatively unskilled people, it would be very helpful if our educational system trained these rural folks so that an industry that did decentralize would have the advantage of skilled labor immediately available.

Mr. COLMER. Of course, I agree with that.

On the other hand, the experience of these manufacturers to whom I refer, has been that they have found that they can train these boys and girls, who normally have a fair education, very rapidly and have found it profitable to do so.

Mr. CLARK. Could I have Mr. Salter supplement my statement?

Mr. COLMER. Certainly.

Mr. SALTER. I really believe the committee is thoroughly sympathetic with the statement you make in general. I would like to point out that in the full report of the committee there is every indication that such a program as rehabilitation aid is good, and the type of program you refer to is going on. To try to help these people change their type of farming, and so on, is all to the good; but the type of thing that worries the committee is that we must have agricultural programs so that if these people have resources and abilities to be shifted into a different type of agriculture, we must have a national program that will allow them to go into that type of agriculture. That is not exactly true at the present time. In order to get into certain other crops or products they might very well be able to produce, they may have to get quotas, and a lot of other things that are now not open to them.

In your very section of the country that point was made clear. A good many people whose land might be useful for other types of agricultural products are not able to get into them because the production pattern of those products in the past has already been frozen. That is why the committee puts its emphasis on this opening of doors of opportunity to make it possible for people to use talents and resources in the best way they can.

The committee is also in favor of the kind of statement which has been made when the previous witness was before you, that industrial decentralization should be encouraged in the South. Really the committee is in favor of what you are referring to as temporary programs of immediate action.

Mr. COLMER. Then it would be your idea that the Government should step in and assist these people in this shifting?

Mr. SALTER. Exactly, that is what the Government assistance and public funds should be spent for, to encourage shifts, rather than to merely say you cannot go into this, or you cannot go into that, or you cannot go into some other crop, because someone else with an historical base, who produced the crop before, has monopolized the right to produce it.

When you begin to talk about nonfarming opportunities, then you have to talk about the same type of governmental encouragement. But as Professor Clark points out, and correctly, we must not get ourselves in a position where so much of our attention is given to immediate details that we forget long-time development. There is a tendency, we believe, to think so much in terms of our past pattern of activities that we forget that the long-run opportunities must be kept open, and people prepared for them.

MR. COLMER. Mr. Clark, you would not go so far as to say that the Government should make it mandatory upon these people to leave these unproductive fields?

MR. CLARK. I would not even think in those terms, let alone talk in those terms.

MR. COLMER. I thought I understood you, but I wanted to make it definite.

MR. CLARK. I am almost tempted to read my text again, which is called Opening Doors of Opportunity.

MR. COLMER. Yes.

MR. HOPE. Before we leave that paragraph, I wanted to ask a question. I think I am very much in agreement with what you say in this particular paragraph you have been reading, this entire paragraph, with this exception: It seems to me that if you are going to have these educational programs to educate boys and girls away from the farms——

MR. CLARK. Could I interrupt you there for just a moment?

MR. HOPE. Yes.

MR. CLARK. I did not say "away from the farm" and I do not think that. I am merely saying that——

MR. HOPE. Then I misunderstood your statement.

MR. CLARK. I am merely saying that a son of a barber has no feeling that he is automatically trained as an apprentice to go into that vocation, and that vocation only. Barbers' sons have open to them alternatives that permit them to go into any field they choose, and we hope that every American boy and girl, including those on farms, has the chance to make the most of their innate capabilities and their willingness to work, no matter what field they desire to go into.

Our committee feels that many farm boys and girls do not have that freedom of opportunity, and we would like to see to it that they get the type of training and of education that will fit them for whatever they would most like to do, and where their employment would most likely supply them an adequate income.

If they happen to be living in an agricultural area where the ratio of people to natural resources is unfavorable to the people, let us help them get into another agricultural area or into another occupation in which the ratio of people to the resources is more favorable than it is in producing an agricultural product of which we already have a surplus. That is not moving people out of something; that is opening doors, especially for the younger generation, to go to the occupations where at the present time there happen to be the largest individual opportunities.

MR. COLMER. Mr. Clark, again isn't that being done, possibly inadequately, but it is being done now through the consolidated and vocational school systems in the rural areas?

MR. CLARK. Unfortunately, sir, about half of the children of the United States are born and educated in rural areas. We do not have

half the adults, but we have just about half of the youth, and the farm people do not have the money with which to provide an educational system which, except in a few instances, is the equal of those in the cities. At the same time farm people are now paying in taxes toward the support of education as large or larger portion of their family income as city people, but by the very nature of the fact that their incomes are small, and that they have a very much larger proportion of children than the city families, they simply cannot provide, and are not providing, except in a few instances here and there, educational facilities comparable to what we find in most of our cities.

Now, those people at the present time, those rural youths, go to the cities in large numbers. Too often they go as unskilled workers and have to do menial jobs, have to compete with city youths who have had a better education, and too often these rural youngsters, when they do get to the cities, have to take unskilled jobs.

We would like to see the same type of education for rural youths that there is for urban youths, and see that Federal and State aid will make up the difference that would be required in making that possible.

But, we would like to see control of the educational policy left very largely in the hands of the local communities and of the local States.

Mr. COLMER. Again I cannot find any fault with that statement, sir. I just merely wanted to point out that some of that was being done through the methods that I mentioned.

Mr. CLARK. Yes, sir.

Mr. COLMER. Coming from a rural area, naturally I would be in accord with your statement.

Mr. HOPE. Well, I have not gotten my point yet. I do not disagree with anything you have said or Mr. Colmer has said, and of course, I realize that the farm has to replenish our population pretty generally in the cities, and everywhere throughout the country, but the only thing that bothers me is that in the past it seems to me we have had too much of our talent, too much of our brains, you might say, from the rural areas going into the cities. I would like to keep it back in the rural areas. If we make it too attractive and too easy, I am just wondering if there is not a possibility that we will drain our farms of the best ability and brains that we are developing there.

Mr. CLARK. Would you like to have me discuss that?

Mr. HOPE. Yes, I would, because I think the attractiveness of industrial occupations and city life in itself is enough to take boys and girls off the farm, taking some of the ones that ought to stay there. I am just wondering if you should not counterbalance that trend with something that would offer an inducement to the farm boys and girls of ability, to stay on the farm rather than be attracted by the greater opportunities elsewhere.

Mr. CLARK. I think that our committee is in complete accord with your desire, and to implement that desire, we have recommended in our report, a number of programs of improving the level of living in rural areas which we think would help to encourage these brighter and more able rural youngsters to stay on the land.

Now, let us get back to this educational business. A young rural couple would be encouraged to stay in a rural area if they felt that their youngsters were going to get just as good education as if they had moved to the city and had a chance to educate their youngsters in an urban school. The provision of good schools in rural areas is going

to have positive effect toward making rural areas attractive just as much as it will in making people discontented with the rural area and wanting to move elsewhere.

My other point is this: That in our report we suggest programs of improving the health facilities of rural areas by some sort of cooperative or public health program. We suggest better housing, minimum housing standards on rented farms. We suggest extending rural electrification so as to improve the level of living of the people, and so as to encourage the decentralization of industries that would be benefited by having electric power available.

We make the flat statement that we believe that this Nation cannot be satisfied to see the number of rural telephones decrease, as they have decreased, that instead farm people need phones as much or more than urban people, and that the Government can encourage and help get those phones on American farms.

I could go on and enumerate other things in our report which we believe would make rural life more attractive, but over and beyond that, I am wondering if you will not agree with me that if we have situation in which rural incomes are inadequate, because we have surplus production, that the cure, or at least part of the cure, for that situation is to get some of the people that are competing with each other to produce this surplus product into nonfarm occupations where they become consumers instead of producers of agricultural products, so that the people that are left will have a larger economic opportunity.

In other words, a program of education should not only benefit those who go to the cities but should also benefit those who are left on the farms, for the reasons I have just enumerated.

Mr. HOPE. I agree with you 100 percent. My only fear is that you will take the best ones and leave the poorest ones. I am speaking there, not only of the farm but of the rural communities, of the county-seat towns. If you are going to have increased industrial development in these communities, it is probably going to have to start right at home. You are going to have some bright young men who are engineers and who are able to see that there are opportunities there in those local communities to build up small industries. As it stands at the present time, the boys who go to our agricultural college in Kansas are all visited by someone from General Electric and other great corporations, and they offer them some inducements to go with them, which they cannot resist, as there is nothing back in the home town to compare with it.

That is the thing that bothers me. I have just noticed that year by year the young men, particularly those who have the greatest amount of ability, in the rural sections, are going away to the large population centers. If we had them back in those counties, in those county-seat towns where they could use their brains to build up local industries and to contribute their ability to industrialization, we will say, I think we would be farther on our way to accomplishing what we ought to be doing and what must be done if we are going to maintain our rural communities.

Mr. CLARK. I am sure everything you have said will be approved by our committee.

Mr. HOPE. I did not think there was anything inconsistent between what I have said and what you have read.

Mr. CLARK. Quite the contrary; we are in agreement.

Mr. HOPE. It seems to me that we have to be somewhat careful that we do not put too much emphasis on the idea of taking able young people out of the rural communities.

The CHAIRMAN. May I ask one question? You speak here of the problem of freezing agricultural patterns?

Mr. CLARK. Right.

The CHAIRMAN. In our rural sections, that practice or program has resulted in a lot of people being engaged in unprofitable agriculture; that is true, is it not?

Mr. CLARK. I think that it has tended very often to perpetuate a situation which we were trying to cure instead of facilitating the adjustments that are necessary if we are to correct the situation.

The CHAIRMAN. To take an illustration, a program to make it possible for a man on some marginal land to grow cotton where cotton should not be grown, and where, with all of the nursing that the Federal Government or any other source can give that man, would still keep him in the low-income group, is an undesirable situation.

Do you think our present farm program of putting a floor, say, 90 percent of parity, on cotton and other agricultural commodities, has had a tendency to accentuate that problem in these sections?

Mr. CLARK. I think that you, from the South, know at first hand the answers to your questions much better than I. In general, I will say this—that our committee, which also includes representatives from the South, recognizes that during the war it was necessary and thoroughly justified for the Government to do a lot of things which we do not think would be desirable in peacetime.

Now, our committee has made no study of these price floors and ceilings during the war period, feeling that that was not our assignment.

We are saying that, in our judgment, in the post-war period, when we get back to this normal condition that you referred to earlier this morning, the type of arrangement that I read before is better than the one that we have now and better than the one we had just before the war broke out.

We will go further in saying that the present wartime programs of support prices, we believe, are not designed to facilitate a gradual readjustment to a post-war period but have the effect of continuing production in excess amounts up to a chopping-off place instead of taking it down in steps and easing it off. The effects of some of the present legislation may be to accentuate the drop from the war to the peace period and to complicate the Government's problem of handling both prices and products.

Mr. SALTER. May I just add something here?

Mr. CLARK. Will it be all right for Mr. Salter to say something at this point?

The CHAIRMAN. Yes. Go ahead.

Mr. SALTER. I would like to make a specific answer to your direct question—that the evidence that the committee has—and it is reflected in the report—is that the maintenance of a little better than the unusual price has encouraged the continued production from sub-marginal areas that normally would have gone out, and that in the long run will have to go out or make some other adjustments. Added to that, when the programs are undertaken through a price procedure, the small fellow is not getting as much help as he might out of some

other program that would help him make shifts. A program in which benefits are distributed on a price basis automatically means the greatest benefit to the fellow who has the greatest amount to sell. The small fellow on the marginal land is encouraged, whereas he might be better helped through a program to get him into something else.

The CHAIRMAN. I think we are facing in agriculture the greatest change immediately after this war that has ever taken place, in that we are going to have mechanized farming. For example, in the cotton industry we are going to develop the cotton picker, that will supplant this labor that used to depend on that crop for a livelihood.

They are developing a flame cultivator that does away with the cotton chopper who relied upon that period in the summer to earn a livelihood, and, of course, we are going to produce agricultural commodities faster, we will have mass production, and they are going to produce it cheaper than they have ever produced before, so you can see the plight of this small man, the fellow on the marginal land, where it is difficult to get along at all.

Mr. FISH. Can I ask you, Mr. Chairman, what is going to happen to these Negroes who have been picking cotton for years? I saw a movie the other day of a great big machine that picks the cotton and does the work of so many hundred Negroes. It seemed to be quite effective. Now, what is going to happen to them?

Mr. COLMER. Isn't that the question I addressed to Mr. Clark a moment ago?

Mr. FISH. That is what I wanted to get more specifically. We should have it more specifically.

The CHAIRMAN. May I answer that question? My way of thinking is this—we have got to find another job for that Negro or that white man, or else move him out of that section of the country, which would greatly upset the social situation.

Mr. CLARK. And I should say further that I think you have got two phases of that problem. One is the immediate distress of that family, the adults; another one is the youth, whether they be white or black. Should these youths be put in a position where they must repeat, generation after generation, the misfortunes of their parents simply because they happen to have been born in the open country in a particular county in a particular State?

The CHAIRMAN. I want to agree with you on education. I think it is the hope of America, the future of this country. I was reared in a rural community, and I know something of the handicaps of youth in such communities. I think that the youth is as much entitled to a good educational training that will equip them to do something more in life as they are to good food and good clothing. There is a program on now to provide Federal aid for the States in order to supplement that educational program, and there is some opposition to it from some sections. There is a pretty strong demand for it, and it looks to me like we must move in that direction and do the very thing that you have recommended here in this report. I think, Mr. Hope, it will supplement the well-being of that local community as well as give the boys a chance to go out in the city of Chicago or Pittsburgh and get a good job and do it effectively.

Mr. CLARK. You must realize that it is a wholly different matter to move an adult family, whose habits are fixed, than to give the youth

of that community training and facilities so that when they start to make their career there is no problem of pulling up roots, because they have none. They can establish a new home and a new job in some other enterprise, locally or elsewhere.

The CHAIRMAN. You favor, then, a Federal aid for the giving of proper educational advantages to the youth of our country?

Mr. CLARK. Absolutely. I think that if we assume that we have some responsibility for getting mail to rural people through the R. F. D., if we have some responsibility for seeing that in periods of depression some kind of employment opportunity is available to all people, no matter where they are, to me it is just as axiomatic that the rural youth are entitled to a type of training which will enable them to compete, without being at a disadvantage, with youth born any place in America, and that they may be acquainted with opportunities in all parts of the country and all types of occupations, wherever the job may be. We do not have that system now, and we ought to have it.

I do not want to subscribe to any particular bill. I do not know the phraseology of the bill, and I do know that the details have to be worked out, but on that policy in principle our committee is united.

The CHAIRMAN. I think the land-grant colleges have got a very important program ahead of them, and that is to sell that idea to the American people. That is the biggest job that I see that confronts you people right now—that confronts all of us, for that matter—to sell the importance of that program to the American people.

The CHAIRMAN. Mr. Voorhis.

Mr. VOORHIS. I wanted, first of all, to comment on what Mr. Hope said from the point of view of my own section of the country, which is a rural area in southern California—not altogether rural, either—and to say that in that section, where I think I am justified in saying we have pretty good schools, that our high schools do not provide as good training as we would like to see, but they do provide reasonably effective vocational training in both agriculture and in other types of occupations.

Our junior colleges carry that on a little bit farther, and it has been my observation, and I am sure I am right, that that has not drained competent young men out of agriculture. On the contrary, some of the very best people that go through those schools go through them to be better trained to carry on farming, in spite of the fact that there are in that particular area a great many city opportunities only 20 or 25 miles away.

Mr. CLARK. Right.

Mr. VOORHIS. So that I think, and I might put in another plug on cooperatives, one reason for that is because our agriculture is as largely protected by cooperatives as it is, so that there is greater security, perhaps, about it.

Now, I just want to nail down this one thing that has already been answered: You do favor a program of Federal aid for education?

Mr. CLARK. My answer is unequivocally "yes."

Mr. VOORHIS. Some of my school people have suggested after the war, particularly in view of the G. I. bill, that we were going to have to do a lot better job of education along certain lines than we have ever done before—they do not believe our existing high schools can do it.

They are now proposing regional vocational training schools where a number of communities go together to establish an institution where it would be a little freer from the educational ladder provisions that has been true in the past, where you would not always have to have a diploma from certain grades, but where they would do a job of broad vocational training and would be in part supported by Federal grant and Federal aid. Would you favor such a thing?

Mr. CLARK. I want to disclaim any special knowledge as an educator, particularly on the high school level. My regular occupation is administrator of agricultural research.

Mr. VOORHIS. But the high school level is the crucial one, don't you think?

Mr. CLARK. I agree with you, absolutely, it is important. I want to say, in my personal judgment—I am not speaking for the committee now—but I feel that no part of our American educational system can be considered as 100 percent the way it ought to be, that there is need and opportunity for improvement, and that we have got to look for changes in our education just the same as looking for changes in the economic order, and I want to say further that the educational program that would work in southern California, where you have no snow in winter—

Mr. VOORHIS. We do on the mountains.

Mr. CLARK. But not where your children are—that that might be a different pattern than it would be, we will say, in the Upper Peninsula of Michigan, where they have deep snow during the winter months.

I would hope that anything that we might do toward increased aid—Federal and State—for education, would be flexible in its nature so as to facilitate the local people working out a system that fits their local needs, rather than to give anybody at any central location a mandate or authority to impose a pattern on the Nation.

Mr. VOORHIS. I agree with you completely about that, but I think it would be disastrous if the latter should happen.

Mr. CLARK. You know, there are people who have that notion.

Mr. VOORHIS. Well, I am one that does not.

Mr. CLARK. I am glad to hear you say that.

Mr. VOORHIS. Now, I wanted to ask you a question apropos of Mr. Colmer's comment, because I think that we are going to lose sight of the main thing here if we lose sight of the people, and I think there is a tremendous national asset in every single family-size farm unit, so that aside from economic efficiency we have got something there that we should lean over backward to try to protect.

May I ask you this, In this transition period that is going to have to take place, you cannot jump from here to there in a moment of time. What do you think about proposals for gradually reduced support for prices, for example, instead of cutting the whole thing off at once; suppose you came down gradually and perhaps had combined with that some additional inducement of some sort on alternative crop production so as to tide the people over a little better, even from a financial standpoint?

Mr. CLARK. Your words are almost the words of our report, sir.

Mr. VOORHIS. That is very flattering. Now, then, I wanted to ask you this, in this matter of trying to get people out of one line of production into a more profitable line—

Mr. CLARK. Again, please, I do not want you to think I am quibbling, but we are never trying to get people out of anything. We

are trying to make people aware of larger opportunities than are locally available and to train them for them.

Mr. VOORHIS. Yes, but the effect of it—

Mr. CLARK. No, there is a lot of difference. Psychologically people resist any program which implies that a committee, or the Congress, or a governmental agency is going to push people around and tell them where to go. If some man wants to live a life like Henry Thoreau on Walden Pond, we are not fighting with such a person who wants to go out and live like a woodchuck in the woods, but we are saying that his children should have the education and knowledge that will help them to do something else if they want to.

Mr. VOORHIS. Even having said that, nonetheless, do you think it would be desirable if people who find it impossible to produce cotton, for example, and to make a decent living out of it produce something else; you would like to see it made possible for them to do so, is that right?

Mr. CLARK. Exactly. You see why I don't want that phrase in my testimony? People would be quick to say that I am favoring people being pushed around. Our committee does not believe in that.

Mr. VOORHIS. We have had a lot of discussion in Congress about the work of the Farm Security Administration and I am talking only about the rehabilitation loan part of their program; I am not talking about anything else.

Mr. CLARK. Right.

Mr. VOORHIS. Do you believe that basically that program has been good and should be continued?

Mr. CLARK. Our committee made no study of any agency as such, so in the first place—

Mr. VOORHIS. I did not ask you about an agency as such.

Mr. CLARK. Or a program as such. I think I can say this, and I do not believe I do violence to the thinking of the committee, that to the extent that the rehabilitation loans and other aids given farmers by the Farm Security Administration help people, deserving people, efficient people, to become established in units that are of economic size, and where, as far as we can see now, the particular farm is an enterprise that should continue into the future, we are for it.

We have seen instances where they have set up people on units that were too small, on land that was hardly above that of the marginal farm—

Mr. VOORHIS. May I interrupt you? I am not talking about setting people up. I am talking about people already there.

Mr. CLARK. Even if they are there, perhaps the provision of buildings, or livestock, or tools, on lands that were inherently so unproductive as to not make it possible for any permanent prosperous agriculture to exist in units of that size, would be hard to justify.

Mr. VOORHIS. Of course it would, but let me put my question this way:

Do you feel that in trying to achieve these objectives that a program conducted by some agency of government which would furnish the cheapest possible credit to farmers to enable them to secure necessary livestock or machinery or additions to their farmstead, or better buildings, or in other words to give them a better-balanced agricultural plan, plus scientific technical advice and guidance in enabling them

to improve their farming operations, would be an essential part of their programs?

Mr. CLARK. To the extent that the unit as finally set up was one that could hold its own in competition, and did not have to have a crutch under it indefinitely into the future.

Mr. VOORHIS. The next question is: What agency do you think ought to do that?

Mr. CLARK. We have not studied that——

Mr. VOORHIS. Do you think the Extension Service ought to do it, or do you think it is wise to have a special agency directly devoted to do that job?

Mr. CLARK. Again I cannot speak for the committee. We thought our job was to determine policy and not assign tasks to given agencies, but I am willing to answer it as an individual.

Mr. VOORHIS. Yes, sir.

Mr. CLARK. I do not think it is half so important that we decide what particular agency should do it as it is that when it is undertaken that the program is integrated with what else is going on in that county in the way of agriculture education and action programs. It should not be something separate and distinct and unrelated. I believe further it ought to be something in which the State, county, and other local organizations have some degree of participation. I do not like the word "control," but partnership in carrying it out, rather than a program which somebody thought up a long ways away and imposed on the local community without the local community having very much voice in determining policies in matters of administration.

Mr. VOORHIS. I have a little bill here, "All agricultural programs should be managed and supervised on the local level by one local democratically elected committee of farmers."

Mr. CLARK. We are talking the same language.

Mr. FISH. What about setting up the farmers in Alaska?

Mr. CLARK. I do not get your query, sir.

Mr. FISH. Do you favor sending farmers up to Alaska?

Mr. CLARK. I don't know enough about the situation in Alaska to pass judgment, but I would say that if there is evidence that the opportunities for farm people to earn a living are greater in Alaska than where they are now, they should be told of those opportunities.

Mr. FISH. But they would not have the facilities you have been talking about.

Mr. CLARK. I beg your pardon?

Mr. FISH. They probably would not have the facilities you have been talking about, up there.

Mr. CLARK. Do you mean facilities up in Alaska?

Mr. FISH. Yes.

Mr. CLARK. Then I would say it was not an opportunity. I am interested in opportunities for people to improve their situations, not just looking for an alternative.

Mr. FISH. They might grow enough vegetables to make a living, but they would not have the facilities that you have been talking about.

Mr. CLARK. I see.

Now, if I can answer your question, sir, our committee secretary has just handed me a copy of the report, and on the next to the last

page, page 50 of this mimeographed preliminary edition, this paragraph appears:

Since the work of the land-grant colleges is largely educational, their leadership should be clearly recognized in this field and they should not be called upon to perform lending, regulatory, and similar activities unless required to do so by State law.

Now, to the extent we are helping these farmers to become established and the job is an educational one, we believe the land-grant institutions have the experience and technique and the method, and if they need more help, let us give them help. Do not make them a collection agency to collect Government loans.

Mr. VOORHIS. On that basis, then, you would say that the making of loans should be the function of some other agency?

Mr. CLARK. Right.

Mr. VOORHIS. But that the giving of farm advice and the developing of farm plans, and that sort of thing, should properly be a function of the Extension Service?

Mr. CLARK. That is exactly my judgment, and the judgment of our committee.

Mr. VOORHIS. Now, gentlemen, I have got an awful lot of questions that I want to ask and I will gladly wait, but before Mr. Clark goes, I would like to be able to ask my questions.

The CHAIRMAN. In view of the very interesting paper that he has read and the fact that a number of the committee have questions they would like to ask, do you mind coming back and resuming after lunch?

Mr. CLARK. I would be very happy to do that, sir.

The CHAIRMAN. I think it is time for lunch.

Mr. VOORHIS. May I have this understanding, whatever time it is, that I will get a chance to finish?

Mr. COLMER. I suggest that he be given priority.

Mr. VOORHIS. I do not want a priority.

The CHAIRMAN. I do not think we are in a position to conclude this very interesting discussion, so we will now adjourn the hearing until 2 o'clock unless there is some objection.

(A recess was taken until 2 p. m.)

AFTER RECESS

(Whereupon, the committee reconvened, pursuant to call of the Chair.)

The CHAIRMAN. The hearing will be in order. Mr. Clark, if you are ready, we will resume your testimony, and I believe Mr. Voorhis of California wishes to ask you a few questions.

TESTIMONY OF NOBLE CLARK, CHAIRMAN, COMMITTEE ON POST-WAR AGRICULTURAL POLICY, ASSOCIATION OF LAND-GRANT COLLEGES AND UNIVERSITIES—Resumed

Mr. CLARK. All right.

Mr. VOORHIS. Mr. Clark, the next question I wanted to ask you is this: Going to what seems to me the heart of your proposal on this question of not freezing patterns of agricultural production which are undesirable, would you take the position to the extent that any governmental policy encourages a certain type of production, that that

type of production should be of a sort which we in the domestic markets of America have a current deficiency of supply from our own agriculture? And conversely, to the extent that if any program discourages production, it should be production of which we have a large exportable surplus.

Mr. CLARK. I would think that is almost axiomatic, if we are to proceed on the basis that we are trying to get the most efficient use of our resources and labor.

Mr. VOORHIS. In other words, just to have foreign trade is no real object, is it?

Mr. CLARK. No.

Mr. VOORHIS. The kind of foreign trade you want is foreign trade in commodities where America can normally produce at an advantage against foreign competition?

Mr. CLARK. Yes, sir.

Mr. VOORHIS. Now, then, I want to go to a couple of points you made earlier in your statement. In the first one, policy to lessen the instability of income, you mention something and then you go a little later on into the question of subsidizing, consumption of low income groups at all times and, in times of unemployment, the stepping up of those programs.

I feel that that is very important and I wish you would go further into it as to how you think it ought to be carried out—by what types of program.

Mr. CLARK. Our committee has made no attempt in connection with any of its recommendations to formulate in detail the legislation, or even the procedures, to be followed in carrying into effect these policies. We felt that our largest opportunity and responsibility were to try to analyze the available information and determine recommendations as to policy rather than how those could be carried into effect. I will say that I have the conviction that a boy and girl going to school need food in their stomachs just as much as they need a textbook in their desk.

Mr. VOORHIS. And if they don't have food in the stomach, the textbook in the desk will be 50 percent efficient.

Mr. CLARK. Maybe less.

Mr. VOORHIS. That is right and I have some very interesting figures on the effect of the school-lunch program on school attendance and scholarship which show it has a marked effect in improving both.

Mr. CLARK. That is right.

Mr. VOORHIS. Now, then, you would say that the basis that they should attempt to use besides increased consumption, must be the improvement of the nutritional standard.

Mr. CLARK. Right.

Mr. VOORHIS. And the absorption of farm surplus should be a secondary consideration?

Mr. CLARK. I don't think it should be a consideration as such.

Mr. VOORHIS. You don't believe, if we had our choice between furnishing one of two commodities for school lunches, both of which were reasonably equal with one another in their nutritive values and in the type of nutrition they supplied, that we should use one which was produced in surplus at a given time rather than the other one?

Mr. CLARK. I think there is another factor that would come in, sir, and that is the unit cost of the product.

Mr. VOORHIS. Yes, it would, of course.

Mr. CLARK. And I question the advisability of buying for the food consumption program the more expensive product simply because it was being produced in surplus.

Mr. VOORHIS. I am not sure whether I agree with that, but at any rate, the second part is that in times of unemployment, you would step up the program. That, of course, would also be a time of low farm income and difficulty of marketing farm commodities, wouldn't it?

Mr. CLARK. Right.

Mr. VOORHIS. Now, then, would you increase the programs that you already had in effect in their scope or would you use additional programs under that circumstance?

Mr. CLARK. Again, that is a problem which our committee has not considered specifically. I do not think that I have any information not available to your committee that would enable me to give any judgment on that any better than your own.

Mr. VOORHIS. If you were basing it on nutritional standards, wouldn't it be almost inevitable that you would have a greater problem of undernutrition, and consequently unemployment, than otherwise?

Mr. CLARK. Yes.

Mr. VOORHIS. And so it would be almost self-adjusting, wouldn't it?

Mr. CLARK. Our statement specifically states that in times of unemployment this nutrition program would be stepped up enormously; but your question, as I understood it, was: Should a separate agency handle it in a depression period?

Mr. VOORHIS. No; my question was really this: Assuming you had a school lunch program going on all the time, as I believe there is sound reason for having, would you in time of unemployment attempt to expand the school lunch program, or would you add to that some kind of a stamp program, or something of that kind?

Mr. CLARK. Our feeling is—and I speak for the committee now—this other program, in addition to school lunches, whether it is a stamp plan or something like it, should be under way even in times of prosperity.

Mr. VOORHIS. That answers my question.

Mr. CLARK. Widows and people who for one reason or another have low earning power should get adequate nutrition in good times and in poor times, and able-bodied people who for no fault of their own are unemployed or have their income taken away in a period of depression should have this food.

Mr. VOORHIS. I agree with you. Do you believe or do you not believe that this approach, the approach of bringing up the nutritional standard of the United States, offers a more solid hope by and large, for agriculture than does an attempted expansion of exports, or don't you want to compare those two?

Mr. CLARK. I don't think I want to make the comparison. It may be that that is true. I won't say that is not true, but I have made no attempt to evaluate the comparison.

Mr. VOORHIS. This is the last question I want to ask. I have heard all of these programs to increase consumption criticized by certain farm groups and representatives of farm groups on the ground that a

comparatively small proportion of the Government dollars that might be expended in such a program actually gets back to the farmer.

Do you have any comment on that?

Mr. CLARK. Are you thinking now in terms of a depression period, or of a period of relatively full employment?

Mr. VOORHIS. Let's take them one at a time. Let's take a period of depression first.

Mr. CLARK. In a period of depression, it is the conviction of our committee that this nutrition program will help to create demands for farm products, but it does not in itself represent a method of pegging price. We feel that in a period of depression, after we have done all we can to increase demand by subsidizing nutrition where it needs to be subsidized, and giving farmers protection against losing their farms by not permitting foreclosure so long as they pay the normal rental value of their land, that any additional payments to farmers to help farm income should not be based on any restriction of production. It should not be based on the unit produced necessarily, but in terms of direct payment to farm people to help them pay their living cost and, in addition, to pay their out-of-pocket costs which are required in order to keep their agricultural enterprise in production. That will include things like fertilizer, spray material, and other things that they have to have in order to run their farm.

We don't want that to be considered as a method of giving farmers income by influencing the price of the product, but rather a direct payment to farmers for maintaining production.

Mr. VOORHIS. I think I understand. In other words, what you are saying is that a nutritional program is not going to be the full answer, or anything like the full answer, to the problem of farming or to the farm problem in times of depression, and I would heartily agree. But nonetheless, it does seem to me if the program of increasing consumption could increase the demand for farm products 4 or 5 percent, precisely the same argument can be used here that I heard over and over again with regard to foreign trade: "Although foreign trade only accounts for a small percentage of the total sale of American farm commodities, the difference between having that additional outlet and not having it will have a marked effect on the price of the entire commodity." Isn't that same argument pertinent here?

Mr. CLARK. Yes; our committee agrees with the statement you just made, but you remember that your question addressed to me was: What is my reaction to the criticism that had been made that some of these nutrition programs reflect to farmers only a percentage of the amount that the Government spends?

My reply was: "We look upon this as only one way of helping farm income during a depression. After that is done, all it will do, the additional job that the Government will undertake in a depression period to aid farmers, should be on the basis of family need and the costs, the out-of-pocket costs, which farmers must have to keep their farm in good production instead of contracted production."

Mr. VOORHIS. Would you keep it on that basis rather than on a basis of price adjustment?

Mr. CLARK. We are opposed to having it on the basis of price adjustment for several reasons. First, if you attach it only to price, the large producers who have the largest income are going to get the largest share of the Government's investment in the price program.

Mr. VOORHIS. That is true.

Mr. CLARK. I can give you other reasons, but I think that is enough to answer the question that you raised.

Mr. VOORHIS. It is, I think. Now, I want to ask you about your proposal here that farm mortgage payments should be waived to the extent of the landlord rental share in periods of widespread hardship. What would the landlord's rental share be?

Mr. CLARK. It would vary a great deal from area to area, but the assumption is that some local board would determine what going rates for the rent of land are in that particular county and that particular type of agriculture, and that the man who holds the mortgage, or the company, has a right to exact from the debtor only that amount of cash which would be equivalent to what this man could be expected to pay as rent.

Mr. VOORHIS. In other words, he would pay rent on the land during that period instead of paying interest and part of the principal on the mortgage?

Mr. CLARK. Those would be deferred.

Mr. VOORHIS. Those would be deferred, but not forgiven; is that right?

Mr. CLARK. That is right. It is to give the man a sense of security in a depression period, that a family knows it is not going to be dispossessed because it cannot make the cash payments, because of the price situation.

Mr. VOORHIS. Finally, I want to say that I was glad that your committee has apparently arrived at the conclusion that farmers and farm workers alike ought to be included under the protection of the social security program. After all, farmers are indirectly paying part of the cost of the present program without getting any of the benefits from it.

I noticed in my own section of the country a very marked change of the point of view of farmers toward that question and a much greater desire on their part in recent years, if not months, to have farm people included.

I wonder if you can give us any information that would bear upon what the attitude of farmers is on this question right now and how much support your committee's position has.

Mr. CLARK. When we were in the process of preparing the material that went into our report, we conferred with the officers of the national farm organizations and with the United States Department of Agriculture officials and also with representatives of every one of the agricultural colleges in the Nation, all 48 of them.

In every one of these sessions we asked those in attendance the question you have just asked me. We did not go out and talk with farmers directly, but these people having a great many farm contacts were questioned, and the sentiment seems to be widespread on the part of farm people that they are paying for these social security benefits and that they ought to be getting a share of them themselves, particularly the old-age and survivor insurance should be made available to all farm people, and the unemployment phases of it certainly should be made available to farm labor.

Mr. VOORHIS. That is all, except to express my appreciation for this very excellent paper that has been presented here.

The CHAIRMAN. Any questions?

Mr. COLMER. I have just one over-all question, Mr. Clark. I am not sure whether or not it has been answered, but I wonder if you agree generally with the proposition that the best assistance to the farm group is a stepped-up economy, full employment, and high wages?

Mr. CLARK. That is right.

The CHAIRMAN. I have one matter that has been bothering me somewhat. This committee has had before it—the full committee and the subcommittee—many prominent economists and industrial leaders, and they all agree that our national debt of \$300,000,000,000, and the demands made upon this Government for money to retire that national debt and pay the interest on the debt and current operating expenses of the Government, are going to require full production on the part of our manufacturing establishment, and we must have full employment of labor as well as full production on the part of agriculture at a fair market price. Of course, the farmer cannot be a part of that consuming public which is so vital to the welfare of our national economy unless he gets a fair price.

Your view is that there should be no legislative machinery set up for the control of the price of agricultural commodities; am I clear about that?

Mr. CLARK. I think if our committee was here, they would say we now live in a managed economy in which the Government has come in and influenced price and influenced production. You can't overnight abandon that and go on to a completely free market basis.

We would say that we have the conviction during the transition period from war to peace, that the welfare of the Nation, as well as of agriculture, lies in the directing of, or getting away from, managed prices to a free market system, and that with some products it may take longer to make that transition than with others, but that the progress should always be in that direction, and that we hope it will not be too long before we can allow the give and take in the market to provide the incentive and the guides in determining the volume of production of products. I am not trying to quibble.

The CHAIRMAN. I understand your position. You maintain that we should gradually recede as conditions will permit from the support of farm prices and also of production to the extent where you would have no fixation of price, and you would let production take its course according to the needs of the Nation—and of the world, for that matter.

Mr. CLARK. That is right; but recognizing that if we are unable to get essentially full employment and full production in the city so that we have abnormal conditions both in the city and on the farm, we may have to make some compromises with those ideals and those objectives.

The CHAIRMAN. Well, I am calling on my experience and thinking back to a time before we had any war, when in the year 1936 we produced 19,000,000 bales of cotton, nearly 20,000,000 bales. That was almost enough cotton to supply the whole world's demand.

I believe 24,000,000 bales was at that time the world's need of cotton. Cotton sold in our country for 5 cents and 5½ cents a pound, and as a consequence thousands of American farmers went bankrupt. That resulted, of course, in a terrible panic that almost destroyed our country.

Do you think it is possible for us to hazard the future of our economy because a lot of men tell us we can't afford to have another depression and we must not have one? Can we afford to subject our Nation to such a situation without having some machinery set up to protect us against that very eventuality?

Mr. CLARK. Well, you will recall, sir, I said that our committee believes that Government policy should be of the kind outlined in this statement I read, if we can get reasonably full employment and production; but if we get a depression in which nearly all prices drop a great deal, then we suggest in the report that a great deal more needs to be done. You have to have the plan ready beforehand and not wait until you get hurt, and it should be put into effect promptly.

The things that we recommended are the widespread expansion of the nutrition program, the provision that the farmer did not have to pay in cash to the mortgage holder more than his landlord share of the rend of the land; and then, on top of that, there should be direct cash payments given to the farmer to take care of his family living expenses and to keep his farm in production.

In our report we say that type of procedure has value in industry as well as in agriculture. We say, if the Government will use its resources, and the opportunities that it can create for itself, to stimulate employment instead of rewarding people for not producing, or for treating merely some of these symptoms, that we believe the public welfare will be served.

The CHAIRMAN. Now in that you recognize the dole, don't you, or what we call the dole?

Mr. CLARK. I object to the use of the word "dole."

The CHAIRMAN. You may give it whatever name you wish, but that is the public concept of dole.

Mr. CLARK. In the dole, you keep a man in idleness, and you tell him that you are going to give him something so he won't starve. But the essence and the heart of what I have said on behalf of my committee is that under our proposal you are paying the farmer for keeping his farm in production. In the depression period, when the railroads need volume of business, when the flour mills and the paper mills and textile mills need volume of business, for they have to have raw materials, and if you are going to keep up the morale of your people in a depression, you must not let food production go down. It is not a dole.

The CHAIRMAN. I will agree with your explanation, and we may all agree that that is not a dole, because the object there, as you say, is to stimulate rather than to maintain in idleness, or to breach over a bad situation. I guess we might call that a kind of a subsidy.

Mr. CLARK. That has a bad flavor.

The CHAIRMAN. I know that, but in dealing with the public, and we are representatives of the public, we have to keep these things in mind.

Mr. CLARK. I would call it a maintenance-of-production payment, or something of that kind. That is what you are trying to do. You are trying to reward the man and his family that will maintain production and will not contract simply because it is not as profitable as it once was.

The CHAIRMAN. That is all right; but I think we should give it some savory name, because the public is allergic to subsidies and doles, et cetera, and they would resent anything that would resemble that.

Mr. CLARK. That is right, and I think upstanding farmers would not want to be told they are getting a dole, and if you want their co-operation, you have to keep their self respect.

The CHAIRMAN. And I think if you remember, all of the prominent farm organizations came out and condemned and denounced subsidies, that the farmers did not want subsidies, but they wanted to get a price for their agricultural commodity at the market price.

Mr. ARTHUR. Mr. Chairman, I would like to suggest a clarification of one phase of this proposal. If you are going to stand behind the farmer when the markets are demoralized and give him payments to maintain his income, will that not tend to perpetuate inefficient utilization of our farm resources by giving a farmer a base and expecting him to stay on the farm in order to continue to retain that base which means payment from the Government if a depression came along, and payment for continuing to produce goods which may at that time be in surplus?

Is it possible to accomplish this program without compromising our efforts to facilitate the needed readjustments?

Mr. CLARK. You are talking, I assume, about a depression period?

Mr. ARTHUR. I am talking about these supplemental income payments.

Mr. CLARK. They only apply in case of a depression when all types of employment are inadequate to take care of the available labor, and the amount they would give any particular family would be very much less than the cost of production.

I am not talking about a cost-of-production formula, but income to the farm family to take care of their living expenses because they are the farm labor, and the out-of-pocket cost for things like fertilizer, spray material and seeds, et cetera.

Now, no farmer is going to be content with a standard of living which only takes care of those minimum payments, and the principle on which this whole thing is premised is that these will only be made available when farmers do not have alternatives in the way of employment opportunities.

The significant thing is that, whereas during the last depression when rural people needed money, we told them they had to go and work on the road or build a swimming pool in order to get any Government payment to pay their bills, even though they went off and left their farms and stopped producing the things which the railroads, the factories and other folks needed.

Under this new scheme, the farm family can get these payments to pay their living costs and will be paid for maintaining production on their farm instead of building swimming pools. I don't object to swimming pools, but I am saying that the farm family can probably do more toward helping restore normal economic conditions by maintaining relatively full production in agriculture than by engaging in these other enterprises, which do not have the same effect of stimulating economic development in the other branches of our industry. Have I answered your question?

Mr. ARTHUR. I don't know that I differed with you, but I wanted to get the point clarified. The first point, I take it, is still that there may be during that period some freezing of the status quo, so far as the kind of agriculture that may be producing large surpluses, that is, that you would try to minimize the extent of that, but it would work in that direction during a depression, probably.

The second question I am wondering about now is what criterion for these payments would be used?

Mr. CLARK. I am going to let Mr. Salter answer the first part, and if he cares to, he can answer the second.

Mr. SALTER. I would like to add these comments. First of all, the committee said there is no way to have a painless depression. When you are talking about the depths of a depression, you are patching up something to try to take care of a bad situation. There is no easy formula for it.

The question is whether or not you might be freezing some past pattern of production, et cetera, making more rigidities rather than making more flexibilities under this program Professor Clark has outlined. The committee feels that under the type of program outlined, there will still be more flexibility of adjustment within agriculture than there would be under a price-propping program, because under a price-propping program you make it impossible for the person you are trying to help to see, according to the market, the alternatives if he could do something different.

One of the greatest things is to have a supplemental income payment program rather than a price-propping program. The first gain is to maintain a flexibility of adjustment according to relative prices, and secondly, you will not encourage in the products of which you may have a particularly excessive surplus, a lot of new producers to come in to get the benefit of it and accentuate the difficulty.

The third point refers to the question of making your Government payments in accordance with the needs of the family and the farm situation rather than simply in terms of the total number of units produced.

Mr. CLARK. I want to answer the last part of your question, and that was, "When does depression begin and end in terms of these payments?" We feel that the yardstick might well be some measure of unemployment, or size of the national income, or something like that. It should not be a situation on a particular farm, or the agriculture of a particular county or State. It should be some measure, reasonably objective, of the volume of production, average per capita national income, or other measurement of alternatives for the farm family to do something else than what they are doing.

Mr. ARTHUR. One further clarification. In determining the amount of such income payments that an individual farmer would be entitled to, would that be based upon past income family needs or what criterion in the selection of the amount to be paid to the individual farmer?

Mr. CLARK. We have not worked out any detailed chart on that, but we believe that the level of living in that particular area should be one of the dominant factors, and the other would deal with what represents the normal out-of-pocket costs that are involved in maintaining a farm in production, which will vary a great deal from area to area, and one type of farm to another.

Mr. ARTHUR. How would it be administered?

Mr. CLARK. It would be done through local boards where the Government has large representation, but the local people also have a voice.

Mr. VOORHIS. Under your proposal here in dealing with depression problems, prices would seek their own level?

Mr. CLARK. That is right.

Mr. VOORHIS. You would do nothing to prevent them from going down?

Mr. CLARK. We want to move the goods into consumption.

Mr. VOORHIS. I agree with the difficulties about the name "subsidy," but the fundamental justice of this proposal would be this: That industry does and can restrict production in time of depression which is the thing that causes the depression to get worse.

Mr. CLARK. That is right.

Mr. VOORHIS. And so these payments would be made to the one line of business in America that goes on producing during times of depression in order to say to the farmer, "If you will go on producing even though your price drops to a very low level, we will make it up to you so that you can keep on producing," and that is doing the one thing that is most basically necessary to overcome a depression.

Mr. CLARK. We will go further than that and say we believe, and we are only an agriculture committee, that this kind of procedure and policy deserves consideration by urban industry as well as agriculture, and Government efforts should be used to stimulate urban production, instead of taking it for granted that people are not going to produce when their profit margin is reduced. Now, I would like to say something else before I am through.

The CHAIRMAN. Go right ahead.

Mr. CLARK. I want to express the personal conviction that a great deal of the fear that some people have that a depression is inevitable, and it has got to come, and how are we going to find work for all of these people, is premised on the fact that our inventors, and research people, and the folks who make the decisions that create jobs, will not be as competent in the future as they have been in the past.

Personally, I think that if there has been one development that stands out above everything else in American economy in the last quarter of a century, it has been the enormous increase of private research. It is creating new products and new jobs and, if we can find some way to maintain the rate of research, and stimulate it on the part of industry and Government, that factor alone offers a lot of promise in helping to remove this hazard that we are talking about.

In terms of agriculture, I hope I will not be accused of special pleading, when I say I have been disappointed, and I say this in no spirit of malice, that the Congress is much more willing to find funds for extension in agriculture than they are for research in agriculture, and that research is the driving force that gives power to any extension program. It is the force that creates jobs and creates employment. If the Government wants to help to remove this hazard of who is going to find the jobs and what kind of products they are going to make, you will find a way of encouraging industry in providing money for research, and in providing money for your governmental agencies that are engaged in research even though there are not many votes in it.

The CHAIRMAN. We certainly thank you for coming here today and giving us this very thought-provoking statement. Personally, I want to thank you, and I want to thank you on behalf of this committee.

Mr. CLARK. It has been a pleasure and I thank you for being patient with me.

The CHAIRMAN. We will now hear from Dr. Black, of Harvard University.

**TESTIMONY OF JOHN D. BLACK, PROFESSOR OF ECONOMICS,
HARVARD UNIVERSITY**

The CHAIRMAN. Have you a prepared statement that you would like to present, or do you want to make an oral statement?

Mr. BLACK. I have a prepared statement.

The CHAIRMAN. Would you rather not be interrupted until you conclude reading it? If so, we will be glad to accord you that privilege.

Mr. BLACK. I have copies of a prepared statement here that I am going to read to you. I also have some other material that I will hand you later. First, however, I shall comment on some of the points that have been raised in the earlier testimony. You have been talking about subsidies. If one could lay down an ideal rule for subsidies, it would be that no subsidy should be made except in such a way as to end the need for it. This need not be in the next few years—some subsidies might end the need for them in 5 years and some of them might take 25 years or more. Hand-outs of any kind are objectionable except under dire need. In most cases a way can be figured out of making subsidies contribute to important agricultural adjustments which will have the effect of discontinuing the need for paying them indefinitely.

Mr. COLMER. You are the man we have been looking for all the time. You suggested in your remarks the speeding up of that day. That will be fine. I wish you would show us how to do away with subsidies and arrive at that as soon as possible. Some of us think we have to have them.

Mr. BLACK. If I don't throw some light on this question before I get through, you can come back at me.

In this connection, there has been some discussion this morning about the setting up of a structure of prices that would lead to an increase of those products that we want more of and reduce the output of those that we want less of. There was an implication in some of the remarks this morning that, in the sort of times we are going to have 3 or 4 years from now, a structure of prices set up on this basis will be an acceptable structure of prices.

I predict that \$10 hogs in those years will lead the farmers to produce all the hogs that we can consume in this country or export; that 10-cent cotton, particularly if we get the cotton picker going, will produce all the cotton that we can dispose of in this country or export. Likewise, 75-cent wheat.

The CHAIRMAN. How are you going to be sure of getting that 10 cents for cotton?

Mr. BLACK. The 10 cents will produce all the cotton we can use. If a bill were presented to Congress, however, that would mean such a set of prices, and clearly indicate that is what it would do, it would not get by this Congress, nor the Congresses that we will have in 1948, 1949, or 1950.

Hence there is a fundamental conflict that must be met. We can talk about getting along with a free market, but a free market, taking agriculture as it is and as it is going to be in the next 10 years, will not give us prices under which our farm people can live the kind of lives we want them to live.

The CHAIRMAN. I recall that we sold wheat on the farm with the hope of getting a little money to support the family and pay the current expenses of the household, and when we threshed our wheat, we would go down to the buyer and ask him the price of wheat and it would be 40 or 45 cents a bushel, which was really in that country a low cost of production.

In other words, the farmer lost money in that operation. Then we found some time in May or the first of June, after the farmer had marketed all of the wheat, and that applies to cotton as well; the price of wheat would go up to \$1 a bushel. However, the producer does not get that. The wheat is in the hands of a few people who are holding it, and it got as high as \$1.15 and they made a fortune on it.

The farmer got less than the cost of production and that happens to our cotton farmers of the country, too. It happened up until the time we began to try to do something to stabilize that price for the farmer so he could not be robbed. Aren't we going to face that same situation unless we evolve a different program than we followed in the past? What is your idea?

Mr. BLACK. There has been a tendency in the past for more than the usual quantity of a product to be in the hands of the processors and the warehousemen in years when the prices went up, and less than a usual amount of it to be in their hands when the price went down. The trade has outguessed farmers in deciding when to hold and when not to hold. Is that what you are trying to say?

The CHAIRMAN. In other words, the ordinary farmer has never been able to hold the commodity; he has to sell his commodity to operate and live.

Mr. BLACK. We can talk about this in terms of the ever-normal granary. It could be operated in such a way as to enable the farmers to hold without putting a bottom under prices. That is the way in which Secretary Wallace conceived it. The first ever-normal granary legislation, you may remember, set the minimum at 52 percent of parity. Its purpose was to put the farmer in the position where he did not have to sell at harvest time and glut the market. But this worked so well that Congress kept raising the minimum until the granary became a method of putting a support price under farm products at 85 or 90 percent of parity. This pegged the prices at level that took us out of the foreign market.

Now, for another point: If we are going to use subsidies, or any other kind of device, when the war is over, when we get into the continuing post-war program which your committee is primarily concerned with, we need to start now with some of these measures or we will be in a mess before 1948 comes.

The CHAIRMAN. That is the purpose of this committee.

Mr. BLACK. You must think in terms not only of the continuing post-war program, but also of the transition, of how to get from here to there.

I am just going over some things at random that were suggested by the discussion this morning. Your committee has expressed a good deal of interest, not only in full employment, but also in an expansion of industry. If we are going to have full employment after the war we must find jobs for more workers than we ever have found jobs for before. There never has been in our history an expansion of industry and trade at the rate that is going to be necessary to take care of the situation. We will need a tremendous surge in industry.

Historically, our manufacturing started in the East and spread out into the Midwest, and a little into the South and out onto the Pacific coast. The percentage increases from decade to decade, of course, have been highest on the Pacific coast, next highest in the South. Up in New England, where I now live, we have had very small percentage increases, but we had such a large amount to start with that a 5-percent increase has represented quite a bit. A 100-percent increase in California back in 1900 did not mean very much.

We must in some way bring about a distribution of industry over this country so that the national resources of all parts of it are more equally utilized. The T. V. A. is undertaking to develop the latent resources of the valley parts of seven States. There should be enough industry and trade to employ all the people now in the valley parts of those seven States. Manufacturing and trade will in this way spread all over the country. We need to have the resources as fully utilized in one part of the country as in the other. We must make tremendous strides in this direction in the next 10 years if we are going to have the full employment we are talking about. A lot of our talk about full employment is either whistling in the dark or else it is just star gazing. We must get down to earth and work out vigorous programs to expand industry and trade in the South and West.

You talked about cooperation this morning, Mr. Voorhis.

Mr. COLMER. Before you leave that subject—I don't want to disturb your orderly procedure or your statements, but I just would like to hear you elaborate a little further on this matter of full employment. This whole Committee of the Congress on Postwar Economic Policy and Planning, I think, is convinced of one thing: The demand for this increased employment that you referred to is going to be tremendous. Some people talk about one figure and somebody else talks about another figure, but regardless what that figure is, we all are in accord with your statement that it must be accentuated beyond anything we ever had in the history of the country.

I am not trying to put words in your mouth—is it impossible of attainment?

Mr. BLACK. No; I don't think it is impossible.

Mr. COLMER. On a practical basis.

Mr. BLACK. Yes.

Mr. COLMER. Frankly, if it is not obtainable, I think the picture is very, very dark. I would like to have your comments on that. It is difficult to differentiate between agriculture and the whole post-war economy because they are all so interwoven, and I don't want to go too far afield, but I would like to get your reaction.

Mr. BLACK. I think it is entirely possible to have such an expansion as I have described. I think your committee, the C. E. D., the National Planning Association, and all of the groups working on it can develop a combined program of expansion of industry and trade, and taxation. That will maintain high level employment. They can do it, but I am not sure that there is sufficient awareness on the part of many people as to what is involved. We have been talking today about a free market, and about working toward a free market. The toughest part of that is not to get a free market in agriculture, it is to get a free market for industrial products.

Mr. HOPE. We have a pretty much free market in agriculture, haven't we?

Mr. BLACK. Yes; except not always in the market in which we buy.

A good many explanations have been offered for the depression of 1929-33. One of the contributing factors, it is now pretty generally agreed, was the failure of prices of manufactured products in the 1920's to come down with increasing efficiency. If they had come down, all kinds of consumers, workingmen and farmers, salary receivers and people with incomes from accumulated wealth, would have bought many more of those things and this would have given us larger employment.

Now we will be faced by a similar situation again after this war. Are prices of manufactured products going to reflect the lowered costs of large volume and improved technology, or are they going to be held at present levels? The O. P. A. has an opportunity here, as well as the manufacturers. I have been very pleased to see some of the big manufacturers, the General Electric and others, come out with statements that they are going to keep their prices low so that they can sell their products in large volume. But I doubt if a third of the manufacturers of this country really appreciate what they are called upon to do.

Now, to return to the subject of cooperation introduced by Mr. Voorhis this morning. You asked Mr. Voorhis whether a voluntary chain organization shall be permitted to operate under the tax-free provisions. This was a proper question. I will say "yes" if it is really functioning cooperatively. Then I would add that another very large and important group in this country is being dragged into this same controversy, and you may need to consider them also. Back in the days when we first started our workingmen's compensation, Wisconsin first, and then Massachusetts, provided that a group of employers could get together and form a mutual and carry their own compensation insurance. Today the largest companies writing such insurance are mutual companies, and the National Tax Equality League is insisting that they shall pay taxes on the so-called rebates. Two of the largest of these mutuals are in Boston. They handle the records and accounts with their members from year to year, and of such new members as come in, at a cost of about 4 percent of the so-called premiums. In contrast the brokers who write this insurance for the stock companies receive a commission of anywhere from 10 to 30 percent. They have been conducting a vigorous fight over the years to hamstring the mutual companies, and they now have joined up with the National Tax Equality League. It should be obvious that the return payments of the mutuals or what is left over from the advances at the beginning of the year, which are larger than they need be because the mutuals handle their business for 4 percent in place of the 20 percent and more needed by the broker-stock company combination. The Tax Equality League now wants the mutuals to pay taxes on the 20 percent savings in costs from handling their own insurance on an efficient basis.

Mr. HOPE. That is like when you pay too much to somebody.

Mr. BLACK. That is all it is.

This group of mutual insurance companies is involved in this controversy along with the co-ops.

Mr. VOORHIS. And for precisely the same reasons.

Mr. BLACK. And if the cooperatives will get together with them, they will be a good deal of help in the struggle.

Now, I want to be slightly facetious in this connection by remarking that the most important co-op in the United States is the Associated Press, and it might be interesting to look into their tax program and see whether they pay taxes or not. They are doing the job in the nature of rendering a service at cost for their members.

Now, there are, of course, several principles in cooperation, and one of them is freedom for anybody to become a member. Now, when you write your tax laws, are you going to make that a requirement for tax exemption? I will let you Congressmen decide. But so far as principle we are talking about, the principle of doing service at cost and returning advances not needed, all kinds of service companies qualify. The rural electrification associations render service at cost and return what they don't need. I have raised this point again because I thought it might help to broaden out the discussion of this morning, Mr. Voorhis.

Mr. VOORHIS. Yes; thank you very much.

Mr. BLACK. About social security. The National Planning Association, with which Dr. Arthur and I are connected—we are on its agricultural committee—has a subcommittee drafting a statement on social security for agriculture. We are reading a first draft of it at a meeting on Monday, and we will have a report before long that we can turn over to you that I think you will find will be of considerable interest. You may be interested, Mr. Voorhis, that more of the work on this was done in California than anywhere else.

Mr. VOORHIS. That was very logical, I believe.

The CHAIRMAN. May I ask here, are you going to have a report on post-war agricultural policy from that subcommittee on agriculture that might also enlighten us?

Mr. BLACK. We haven't yet set up a subcommittee to draft a general long-time agricultural policy.

The CHAIRMAN. We will be highly pleased to be favored with that report just as soon as you get it out.

Mr. BLACK. All right. We are working on it.

If Dr. Schultz appears before your committee—I don't know whether he is going to or not—

The CHAIRMAN. He already has.

Mr. BLACK (continuing). You put that up to him.

Now, one other point—and I am not taking issue with Mr. Clark on this matter, because I know he and I agree on the essential point—but he did talk to you as if agriculture did contract in the last big depression, and as if large numbers of people quit producing and went on W. P. A., and so forth, and as if that would happen again in another depression. I do not think I am misstating you on that, Dr. Clark.

Mr. CLARK. I did not mean to leave that impression, Dr. Black.

Mr. BLACK. Then I am sorry, but I got that implication.

Mr. CLARK. What I meant to say was that I did not think it would be desirable for a farm family in a depression to have to build a swimming pool in order to get money to get income on which to live; that that income should go to the farm family for continuing production on their own farm.

Mr. BLACK. I think that is where your statement led around to in the end, but it began the other way. I think you conveyed a wrong impression in some of your opening remarks. Actually, agri-

culture never has contracted during a depression. The index numbers of agricultural output for 1932 and 1933 show a slight decline under 1928 and 1929, but that was because of the droughts. It is one of the unfortunate things about agriculture, perhaps, that it does not contract during depressions.

Mr. VOORHIS. Will you pardon an interruption? There are just a few figures that I carry around in my head; one set of them are these: That between 1929 and 1932, when we were going down the toboggan, agricultural production declined only 6 percent, but agricultural prices fell 46 percent. The production of farm machinery declined 80 percent, and the price of farm machinery declined only 12 percent.

Mr. BLACK. Your statements are entirely in keeping with mine. That 6-percent decline that took place in agriculture was due to drought.

Mr. VOORHIS. But that is the contrast of how agriculture behaves and how industry behaves under similar circumstances.

The CHAIRMAN. May I at this point, Mr. Voorhis, ask: Do you think there is any relationship there in these figures to the fact that we can generally assume that business manages to control its production when it is deemed necessary?

Mr. BLACK. Yes.

The CHAIRMAN. And agriculture until the recent programs had no machinery or power to do that.

Mr. BLACK. Yes. Some of this control, Congressman Zimmerman, is the result of certain kind of monopolistic action.

The CHAIRMAN. The effect.

Mr. BLACK. But most of it is not monopolistic.

To illustrate my point, early in the last depression, Mr. Henry Dennison of Massachusetts—he has been on about all the liberal businessmen's committees in the world—started proclaiming that we have just got to keep on producing and give everybody jobs. He started on a tour around the country preaching this. Out in Wisconsin was Governor Kohler, of Kohler, Wis., who also thought it was a good idea to keep his manufacturing plant going. But when Dennison got back and saw what had happened to his inventories, he just had to slow down or go out of business. He would have been wrecked. I benefited from Mr. Kohler's liberality, because when I built my house in 1931, in the midst of the depression, I got my Kohler's plumbing fixtures very cheap.

I am not scolding businessmen because they do slow down at such times. They are in a position to do it, and they are foolish if they don't do it.

The CHAIRMAN. Don't get the idea I am trying to scold them either, but I am talking about the practical effect.

Mr. BLACK. Agriculture isn't in a position to do it, and business is.

Now, there is also some rigidity of prices in business that has a certain amount of concertedness about it. There is such a thing as price leadership, you know. I hope that the price leadership after this war will move prices down.

I agree entirely with Mr. Clark's statement that when and if we get into a period of depression, and prices of farm products go down we should supplement the incomes of these folks. I would not use just his argument for it, but I am for it. I would prefer, however, to pay as little of the supplements as possible in the form of cash and as

much as possible in some other way. I will say more about this later. Suffice here to say that if a cotton picker came into the South in the midst of a depression, and it becomes obvious that large numbers of folks down there cannot make a living from cotton, it will be better to use any contributions to farm families to help them make over their agriculture into a kind that will stand on its own feet afterward, and pay out our money for that, than to hand them out cash to keep them going.

The CHAIRMAN. Now, just a moment. I may not be in agreement with the other members of this committee, but I am in agreement with the men who have heretofore appeared before our committee, who all agree that this Nation cannot afford to get into that depression that you are talking about. In other words, we should have some kind of a program that will avert a depression and keep us out of the depths of a depression.

Now, if we wait until we get into it, why, then, of course, calamity is upon us. I do not know whether that can be done or not.

Mr. BLACK. Yes. You see, I am in full agreement with your position, but I think that when folks like ourselves get together and plan future policies, we are not doing all we should if we just assume full employment and stop there.

The CHAIRMAN. I know that.

Mr. BLACK. Suppose we do not have full employment, what will we do then? There has been too much of a tendency to make plans that proceed on just that one assumption, and then stop. If your committee were to draft an ideal agricultural program and present it to Congress and do no thinking about what to do if Congress refused to accept it, you would not be going far enough. You had better think out also what compromises you will make if you have to.

Mr. COLMER. That is what a good general does in battle.

Mr. BLACK. Now, I shall read my prepared statement. You may interrupt as I go along.

I had the same four questions to answer that were given the other persons appearing before your committee. I chose to deal first with the second one; that is, with the policies that will place agriculture on a satisfactory self-sustaining basis from now on after the beginning of the war.

1. Basic policies to place agriculture on a satisfactory self-sustaining basis in the long run. Three things are necessary to accomplish this:

(a) Agricultural production needs to be brought into balance with demand at a reasonable level of prices.

(b) A large fraction of our farmers need to have more land, livestock, and farm machinery to work with.

(c) Many of our farmers need to become more efficient and productive.

Mr. HOPE. Now, right on that second point, I suppose that carries with it the corollary that we need less farmers.

Mr. BLACK. I am going to discuss that later on.

Now as to the first point: From the First World War to the second, the supplies of farm products were pressing upon the market. Consumers did not have money enough to buy what the farmers produced at a good price. The "terms of trade" were against agriculture in

this country, and in most other countries. The years 1925-29 were almost an exception to this statement—the terms of trade in these 5 years were almost satisfactory.

One way to bring the terms of trade into line is to reduce the volume of agricultural output.

Mr. HOPE. Now, you mean by the terms of trade, the terms of trade in relationship to prices?

Mr. BLACK. Yes. If you have too much of one product in relation to the others, you have to sell it cheap. It is a term taken out of discussions of foreign trade.

Mr. HOPE. Yes.

Mr. BLACK. I heard Dr. Copland from Australia a few weeks ago say that Australia suffered between the world wars because the things she was producing and exporting were things that were cheap in the world market, and Australia did not get enough back for the things she sold to have a prosperous economy. Agriculture has been selling its product to the rest of society at such low prices that its people haven't had a decent standard of living.

One way to bring the terms of trade into line is to reduce the volume of agricultural output. The A. A. A. program undertook this in some measure. Its principal object, however, was only to bring the production of certain products back into line with demand—cotton, tobacco, wheat, corn, and hogs, and rice. To the extent that it undertook to reduce agricultural output, it failed largely, since agricultural production averaged 7 percent greater in 1938-39 than in 1930-32, before the A. A. A. program was started.

Moreover, this is not a good way to improve the terms of trade so long as many millions of our people are underfed. A half billion dollars spent on supplementary food-distribution programs will add as much, or as nearly as much—and I want Mr. Voorhis to listen to this statement——

Mr. VOORHIS. I am.

Mr. BLACK. As if it were paid farmers directly, and the food that would not have been produced will have been produced and eaten. The country will have gotten two uses out of that income. The farmers will have gotten it and the consumers will have had the food to eat.

Mr. VOORHIS. May I interrupt you, Doctor? Is the reason that you make the statement that a half billion dollars spent on supplementary food-distribution programs will add as much or nearly as much to farm income as if it were paid to farmers directly; is the reason for that statement the one I suggested this morning?

Mr. BLACK. The basis for that statement is a report prepared, not by propagandists in the Department of Agriculture, but by very careful students. There is not a better or sounder economist in the Department of Agriculture than Dr. Fred Waugh. He and his group of workers made an analysis of the stamp plan and the school lunch plan, along with others, from this point of view, and concluded that even taking a year by itself, the money paid out in school lunches was nearly all added to farm income, not quite, but nearly all.

Mr. VOORHIS. I mean, was the reason for that the fact that by increasing the——

Mr. BLACK. You gave the reason for it this morning.

Mr. VOORHIS. That is what I want to know.

Mr. BLACK. The fact is that an extra 5 percent which added to demand raises the price of farm products more than 5 percent because of the inelasticity of the demand for food.

Mr. VOORHIS. And raises the price of all farm products.

Mr. BLACK. That is right. My statement was about the short-run effects. If money spent on school lunches did not more than half pay for itself in the year in question, it might well pay the farmers because of the effect which they have in building up future demands through establishing food habits.

To make this point as effectively as possible, suppose we refer to the 10,000,000 people now in the armed services. Large numbers of these came from sections of the country where diets are poor. Unusually large numbers were rejected because of this. Many of those who were not rejected were not good fighting men when they were inducted because their bodies were not well developed. Army tests and experience have shown that they could not stand up under severe strains. But these men have had balanced diets in the Army and they have learned to eat what they need. They will never go back to their poor diet again.

Mr. HOPE. Now, the reason they had poorly balanced diets before they went into the Army was not from choice, was it? It was because they did not have the opportunity to get a balanced diet, wasn't that it?

Mr. BLACK. The reasons were mixed. Food habits as well as low incomes. We like what we have learned to eat as we grew up, and we can learn to eat and like a poor diet as well as a good one. In sections of the country with low incomes and poor diets, bad eating habits are formed in infancy and childhood. But some children from well-to-do families form bad habits. The Consumer Purchases Study showed that one-sixth of the families in the upper-third income groups had poor diets. Among my students at Harvard University, I find boys and girls with poor diets formed in their childhood. Lack of income is the major factor in poor diets, but not the whole story.

If we were to spend a million dollars now on helping school children to eat the right kind of foods, we would be building good eating habits, such as our soldiers are building in the Army, and when the boys and girls finish school, they will go on wanting the same foods. They will do their best to get them. Probably they will spend more of their income on food than their parents. So though we might not get our million dollars all back this year, we would get it back in the next 10 years, and more besides.

Mr. HOPE. How far could you go in extending such a program beyond the borders of this country; that is, to people of other nations? Do you think there is any possibility along that line?

Mr. BLACK. I will discuss this matter under the fourth head in your outline.

Mr. HOPE. All right.

Mr. BLACK. The best way to improve the terms of trade is to strengthen the demand for farm products. This can be done, so far as the home market is concerned—we are talking about that now—by maintaining a high level of employment, and by helping low-income families to get more food. The first is not enough because millions of our families do not earn enough even when fully employed to buy the food they need for health. Several other millions do not

have good eating habits, and need a lot of strong education in order to form better habits. The strongest kind of education is learning by doing.

A supplementary food program should be conducted on the theory that it will eventually be self-terminating so far as any individual or family is concerned. The children that get one good meal a day at school will be more likely to feed themselves adequately, and earn enough to do it when they grow up. If for one generation every school child could get one good meal a day, after being supplied with orange and tomato juice while an infant, the malnutrition of our people would be half eradicated, and with it much of the low earning power of the poorer part of our people. A child that is never well grows up into a man or a woman that is half sick and is not likely to get ahead in the world or have much buying power.

I think you folks know that the average expectation of life in India is about 30 years. A former student of mine, now in the overseas army in India, wrote me recently that down in Texas, where he came from, he used to think there were a lot of shiftless, improvident people who just did not seem to have any ambition to take care of themselves or to get ahead in the world, "But", he said, "you ought to come over to India. But suppose you put yourself in the place of a person who is not going to live more than 30 years. I doubt if there is ever any time in his life when he is not half sick. How can you expect him to have any ambition to do things?"

Providing supplementary food for grown-ups helps many of them to be more productive within a few years. Army experience indicates that large numbers of men whose bodies were relatively weak have been made into good fighting men in 6 months. We talk about toughening these men up so they can stand hard military duty. Feeding them up is the most important part of this toughening.

If all our poorly fed families ate the kinds of food that they need, this alone would step up the demand for food in this country enough to use up the surplus foods that we will have within 2 or 3 years after the war. With high-level employment, many of these families will buy this food. But many will not, because they do not earn enough or because they have poor eating habits that must be corrected.

MR. HOPE. Right at that point, it is my understanding that probably our people now, our civilians, are eating better, probably doing a better job of eating nourishing food, than they have ever before. Is that correct?

MR. BLACK. That is correct. A survey was made in 1936 and another in 1942. There was improvement of at least a third between these dates, mainly as a result of the better incomes.

MR. HOPE. Now, after the war—we will assume there is no rationing then and they will be free to buy what they want—what do you estimate we can expect in the way of—assuming full employment—how much more people will eat of the proper type of food than they are eating now?

MR. BLACK. My analyses of the data of the Bureau of Agricultural Economics indicate that counting the increase in population that will have taken place after 1935-39, our people with high-level employment will consume 20 percent more food in 1948-50 than they consumed in 1935-39. Of that, about 9 or 10 percent will represent increased per capita consumption; and the rest, the growth in population.

Mr. HOPE. How does that compare with what they are consuming now?

Mr. BLACK. It is more than they are consuming now. Mr. Tolley's recent statement was that we are consuming 7 percent more now than in 1935-39.

Mr. HOPE. That is taking into consideration, of course, the full employment they will have of other goods which will compete with food for the consumer's dollar.

Mr. BLACK. Yes; that is correct. "Full employment" surely won't be any fuller than it is now. But we won't have rationing then. Who is going to eat the additional food when we take off rationing? It is not going to be the low-income people. Rather it will be those who cannot buy all the butter, meat, canned fruit, and sugar they want now. The working classes will do very well if, in 1948-49, after the war is over, they have 80 percent of their present incomes. Take out overtime, extra pay for overtime, let those return to their homes who want to return—the married women and the others—and maintain the present basic wage rates, and the labor income of this country will fall off at least 15 percent and maybe 20 percent. This will be at high-level employment. It is to be doubted if this group in the aggregate will consume more food than they are consuming now when rationing is lifted and their incomes reach normal position levels.

Mr. FISH. Of course, that is fundamentally true, and everybody agrees with that, but have you any break-down as to the number of people who will be employed? I am referring particularly to the wage earners, the consumers. Do you believe there will be 60,000,000 people, as the President has suggested; and if so, have you any break-down of that 60,000,000?

Mr. BLACK. I have no break-down here, and if I were to supply you with one it would be one I have borrowed from somebody else.

Mr. FISH. The reason I asked that is because I have been very much interested. After all, the whole objective of this committee is to try to employ as many people as possible after this war is over. They will be demobilizing several million after the war. Now, the President said that there are going to be 60,000,000 taken care of. I am very anxious to get the break-down. Someone gave it to me at lunch today, and it was a very extraordinary break-down, and I wondered if you had one other than the one that was given to me.

Mr. BLACK. I have worked up no break-down of my own. I have in my files one from the Committee for Economic Development and one from another source. One of the startling things about such a break-down is how large a proportion of the increase is not in industry, but in trade and services. But I don't want to go into this, because we want, I think, to keep the discussion as near to agriculture as possible.

Mr. FISH. But agricultural prices depend on the consumption, the wage earnings, and the ability to buy agricultural products, and that is the main thing.

Mr. BLACK. I agree; and yet we must limit our discussion here, I think, if we are going to get anywhere with agriculture's part in the post-war contribution.

Now, I am making another point. If there can be combined with this stepping up of food consumption, as a result of supplementary food distribution and its educational effects, some important shifts

in production, the results will be even more important. One of the reasons that improving diets is so effective is that good diets include more dairy products, eggs, and meat, as well as more fruits and vegetables. These are the "protective foods" that include the vitamins, minerals, essential fats, and essential proteins. Only certain of the fats and certain of the proteins are specifically necessary to health. You can add them all up and say you must have 70 grams of protein a day but included in that must be certain proteins that are essential. The same is true of fats. Only a few of the proteins and fats are specifically necessary, and those that are specifically necessary are mostly of animal origin. A few of the very best of the vegetable foods, like soybeans, will almost entirely take the place of animal foods, but only a few. Now, it happens that the foods of animal origin use much more land than do cereals, sugar, potatoes, and the like. In fact, as an average, they use about 10 times as much land. If 40,000,000 acres were taken out of cotton, wheat, rye, rice, sugar beets, potatoes, and corn for direct human consumption and used to grow pasture, grass, and other forage, plus grain to feed cows, hogs, lambs, or poultry, the effect on surpluses would be the same as taking 36,000,000 acres out of use.

The accompanying table I gives the supporting data for these statements. I don't want to go into this table, except to have you look down the line at the animal products—dairy products, beef, pork, and eggs. The highest of these is pork, 500,000,000 calories per acre. Dairy products, at 235,000,000 calories, come next. The next column presents the same comparison in terms of protein. Note that in terms of protein, eggs are the highest in the list. More than this, eggs contain larger proportions of one or two of the vitamins than the other animal foods. Put all of these together and match them against wheat, corn, soybeans, dry field beans, sugar beets—I haven't got rice here—and the comparison is about 10 to 1. Now, as I pointed out, and now restate, if you could take 40,000,000 acres out of these cereals and beans and put them into these animal products, it would be like taking 36,000,000 acres out of use, and that will go a very long way toward getting rid of our agricultural surplus.

TABLE 4.—*Calories and proteins from an average acre of land and day of man labor in the United States used in the production of different foods*¹

	Per acre		Per man-day	
	Calories	Proteins	Calories	Proteins
		<i>Grams</i>		<i>Grams</i>
Wheat, used as white flour.....	835	56	740	50
Corn, used as meal.....	1,880	96	550	28
Soybeans, used as human food.....	1,545	340	1,050	226
Dry field beans.....	1,250	150	335	46
Potatoes.....	2,285	118	270	14
Sugarbeets.....	6,250	0	545	0
Dairy products ²	235	22	50	48
Beef.....	45	7	25	3.6
Pork.....	500	18	30	4.6
Eggs.....	145	26	25	4.5

¹ From John D. Black, *Food Enough*, Jacques Cattell Press, October 1943, pp. 133 and 139.

² The dairy enterprise as a whole.

If people are to eat more of these animal foods, however, they must have more income, because they cost more to buy than cereals and potatoes. Keeping workers employed will help considerably, but it will not be enough. Low-income people will need to be helped to buy these foods of animal origin. It is these that must be especially included in school lunches, stamp programs, and the like. If our people form habits of eating these, they will keep on buying them when their incomes increase. Many of them will spend a larger part of their income for food because of wanting these foods. Thus, if production can be shifted to produce the foods needed for a really good food and nutrition program, this will make it much more effective in reducing surpluses.

Now, this is all I am saying under my first point A, under the head of how to get agriculture and the rest of society in such a position that the terms of trade will be fair to agriculture, so far as the domestic market end of it is concerned.

If we could work out a supplementary food-distribution program that would have the effect of getting these underfed people enough food, plus enough of these animal foods, we would get rid of all our surpluses. We wouldn't need anything more we could put this over. And if we get into a tough spot in 1948, 1949, and 1950, and go about this kind of a program hard, we can make a lot of headway in 2 or 3 years.

MR. VOORHIS. Now, Doctor, may I interrupt, because at the beginning of your remarks I understood you to take exception to a point which I had made this morning, which was that it was sound policy for any program that we might adopt to attempt to encourage the production of things that were needed by our own people in the domestic market, and it was sound policy, conversely, for the impact of any program that might be encountered not to encourage the production of things at below cost of production.

Now, it seems to me that your suggestions here, which some of the other Members of Congress would tell you are things that I have advocated myself for a long time, are precisely in line with that very principle, aren't they?

MR. BLACK. I didn't take exception to your statement this morning on this point, I said that a set of free-market prices will not give us the shifts in production we need. If we really want to get the shifts that will improve diets and reduce our surpluses, we must set up a structure of prices that is different from a free-market structure of prices. We must go out and pay liberally for the foods we want more of—pay our subsidies on those.

MR. VOORHIS. That would be a program, though.

MR. BLACK. That is right.

MR. COLMER. Doctor, before we leave that, you have stated that all supplementary food-distribution programs should be conducted on the theory that they will be eventually self-terminating so far as any individual or family is concerned.

MR. BLACK. That is right. I want to get this family the kind of a diet that will make it healthy enough and ambitious enough so that its members will go out and earn enough to take care of themselves.

MR. COLMER. Yes. Now, pending that, and in this period that you anticipate but hope that we will not arrive at, is it your thought that it is the function of the Government, in the interest of society generally, to furnish this program?

Mr. BLACK. Yes.

Mr. COLMER. I just want to be straight on that.

Mr. BLACK. Yes; very much so. We were spending \$725,000,000 a year in 1937, 1938, and 1939, on a production-adjustment program. Let's consider spending something like that on a consumption-adjustment program instead, and see if it will not accomplish more.

Mr. COLMER. I wanted to get that clear in my mind. Ever so often down in Washington the question of school lunches comes up. It is always a very controversial matter, and I wanted to get your views.

Mr. BLACK. I regret very much that at a certain stage in the evolution of these food-distribution programs, they came before Congress in such a way that it appeared that farmers generally were going to get less if more was appropriated for these programs. These programs being brand new, Congress had not done much thinking on the subject. Its offhand reaction was: "We don't want these programs to take the place of the parity payments."

Now, I think that the attitude of the people of this country toward this program, and that of many Congressmen, has shifted since then.

I want to make sure that Congressman Hope doesn't think I have turned my back on production adjustment here. I am as strongly for production adjustment as I ever was, Congressman Hope, but—

Mr. HOPE. You would rather have the adjustment in consumption first, and then whatever production adjustments are necessary after that—

Mr. BLACK. I want both of them together. I want to integrate them. I want the production-adjustment program to be built not just around soil conservation, but around human conservation, too. Put production and consumption adjustments together and have one contribute to the other. Producing animal products means putting more land in grass, and gives us conservation at the same time that we get improved consumption.

Mr. HOPE. You will be employing more labor on the farm, according to this table.

Mr. BLACK. Yes; other things being the same, animal production means additional labor. Let's put it this way: When I went to the State of Minnesota some time in 1918, the farmers there were already well advanced in the process of making a transition from an economy with a great deal of crop production to one with much livestock. An index of production showed that over a 30-year period the agricultural output of Minnesota had very nearly doubled. How? Because the agricultural products that the farmers had formerly sold for cash were now put through a second production process. They were manufacturing livestock products out of them. This manufacturing process used more labor, and more capital, buildings, and farm machinery.

Mr. VOORHIS. You mean the value of Minnesota's agricultural products had doubled, don't you?

Mr. BLACK. No; I mean the physical volume of it, not measured in tonnage, however, had increased. The index took account of the fact, in its weights, that a pound of butter was worth more than a pound of wheat.

Mr. VOORHIS. Would you say it would be very far wrong if you say the value of Minnesota products doubled?

Mr. BLACK. You would be all right if you made a correction for changes in the prices of these products.

The rest of the job of putting agriculture on a self-sustaining basis must be done on the farm. One part of it is to get farm people more land to work with, so that they will produce more and earn more per worker. The other part is to make them better farmers.

Now, getting farmers more land to work with does not mean making larger farmers out of them. All it means is getting them enough land and working capital so that they can be honest-to-goodness farmers. This means farms large enough to support some kind of a tractor in most cases, and some kind of an automobile. Tractors are getting pretty small now, and of course hundreds of thousands of farmers who can't afford a new tractor can afford a second-hand one, just as they have afforded a second-hand automobile.

The CHAIRMAN. If you will pardon my interruption at that point, you are in favor of the family-sized farm made large enough as an economic unit to profitably support a family?

Mr. BLACK. That is exactly what I am saying.

The CHAIRMAN. In some sections it might be a smaller number of acres than in others, depending on what the farm produced in that area?

Mr. BLACK. That is right. The family-sized farm should have income enough so that the boys and girls can go to high school. We should not think of any kind of a farm on which a family makes some kind of a living as a family farm. A million or two farms on which families are now living are not large enough to provide an ordinary sized farm family with a decent living. They do not have enough productive land.

Both party platforms in the last elections had statements favoring family farms. One, at least, expressed itself in terms of family-sized farms. The way to preserve the family farm in this country is to make it produce enough so that people will be satisfied to live on it. This means a family must be able to achieve the equivalent of the living obtained by the families of union labor in the cities.

Nearly three million of the farms in the United States are too small to be called family-sized farms. Many of these, however, are part-time farms—the family has another source of employment as its principal source of income and does more or less farming on the side. Another small group of them are owned by families with income not currently earned—that is, income from social security or other pensions, from inherited wealth, from accumulated savings and the like. We need have no major concern over increasing the farming income on part-time and residential farms of these two descriptions. But at least half of the 3,000,000 of the small farms in this country are undersized family farms. The proper term to apply to them is small holdings as distinguished from family-sized farms. This is the kind of farm that is dominant in the overpopulated parts of Europe, the farm of the European peasant. The one-mule farm of our South is really a small holding. So are many thousands of farms in the Appalachian and mountain sections of this country.

Mr. VOORHIS. Doctor, do you mind another brief interruption? It is true farm income is more important, but aren't some other factors important too, like education, health, electrification, and things like that? Don't they come into that picture to some degree?

Mr. BLACK. Yes.

Mr. VOORHIS. I mean an equality of those things between the farms and the city.

Mr. BLACK. Yes. A very large and important part of living these days consists of public-school education, roads and streets, health protection, police protection, fire protection, and a lot of other things. We must not forget military protection just now. As our society has evolved, these have become more important. Up to 1920 I do not think farm people shared equally in these. I think they are more nearly doing so now. Surely these are important and must be included.

To refer again to what I have called small holdings. This is the European term for farms so small that much of the farm work is done by hand. It is the characteristic farm of central Europe. It contains perhaps 20 acres and the plowing is done on many of them with oxen or even cows. Such farmers are called peasants. Many farms in our own South are really European smallholders.

The CHAIRMAN. You refer to the sharecropper tenant with the one-mule operation?

Mr. BLACK. Yes, sir. Something also needs to be said about land that is called poor. We talk too much about poor land. The difficulty often is rather that the families do not have enough of it to make a good living from it. The land we call poor does not have as much fertility per acre as other lands, but this does not mean that you cannot make a living on it if you have enough of it. Let's look at two counties in Illinois, Jasper and Douglas, almost side by side. In Douglas the average acre has twice as much humus and nitrogen and phosphate and so forth as the average acre in Jasper County.

Mr. VOORHIS. Approximately where are those two counties?

Mr. BLACK. Douglas is just south of Champaign, where the university is located, and Jasper is the county farther south.

If the Jasper County farms had enough more acres to offset the fact that each acre had less fertility, and if it were farmed properly with lime and fertilizer, and sweet clover and improved pastures, and had enough livestock and equipment to go with this larger acreage, a family could live just as well on it as on the farms in Douglas County. At least this is what the soil scientists tell me.

Actually, however, the farms are smaller in Jasper County than in Douglas. They tend generally to be smaller in poor-land areas. The reason for this is usually historical. These counties both started out as 160-acre homesteads, the land in neither had to be cleared. In Jasper County the yields and incomes were never good enough to enable the farmer to buy more land or build a good house. Also poor families tend to be larger than well-to-do ones. So the poverty of the land was passed on to its people. In the other county, the families were able to save some money and buy more land. Today, 70 percent of the land in Douglas County is rented. The original families have retired from the land.

Now, we do not have in this country at the present time adequate facilities for helping these people in the poor-land areas to get the kind of farms and amount of land and kind of farm organizations they need. If we could do that, we would have fewer farms in these poor-land areas, but those that were there could be prosperous farms.

Mr. HOPE. You would have fewer farms, and then what is going to become of those farmers that go off the land?

Mr. BLACK. I would not propose that this be done overnight. A program that would assist those families on these undersized farms to get more land, who looked like good credit risks, would accomplish much in one generation.

The CHAIRMAN. You approve the Jones-Bankhead Farm Tenant Act, don't you?

Mr. BLACK. Yes.

The CHAIRMAN. Where they assist the tenants to buy a farm large enough to support a family?

Mr. BLACK. That is right. The Tenant Ranches Administration has always insisted that the unit be an economic unit. That is one of many good things about it.

Mr. VOORHIS. May I suggest a theoretical possibility? Anyway, assuming you can increase the size of farms on poor land, and assuming we could have a good enough program under the farm-tenant purchase plan, we might be able to break up some of the over-large holdings of the good land. There are instances in my own State where tremendous tracts of better land, or of the best lands, have become a virtual corporation proposition, not family-sized farms at all, but a corporation working the land.

Mr. BLACK. I would agree entirely that that is one way of getting more family-sized farms, particularly in certain States. California has one-third of all the large farms in the United States. In the poorer land areas, like a great deal of Piedmont area of the South, what is needed, however, is not a program of breaking up too-large holdings, but rather of consolidating too-small holdings. Our present facilities for helping people do this are not very good. The tenant-purchase program, as far as it goes, is all right. The Farm Security Administration did have a small program for this purpose just before the war. It loaned a few thousand families some money to buy more land.

The Farm Credit Administration can make a loan to buy additional land provided the farmer does not have too much of a mortgage on what he already has. But it hesitates to make such loans in poor land areas. Its experience on small farms in such areas has been discouraging. It takes a long time to pay off a mortgage on a small farm.

The CHAIRMAN. The farmer first has to get a living off a small farm before he has anything to go toward making improvements or paying off the mortgage.

Mr. BLACK. That is right. So it happens that in the poor land areas, the farmers do not have enough land to accumulate anything and to pay off their mortgages. They inherit farms with mortgages out of proportion to their earnings and they never get out of debt.

These farmers also need credit in order to buy the equipment and livestock needed to farm the additional land. Many of them would be helped if they could just get equipment and livestock enough to farm their present holdings. Where the Farm Security Administration has helped farmers to get livestock and equipment to work their present holdings, their record is generally good.

Mr. HOPE. Let me ask you right there, because the question has been up before in Congress and it will be up again, How far do you think there should be supervision of those loans? I mean, do you think that they should be closely supervised?

Mr. BLACK. Yes. I understand your point. Let me open it up this way: Mr. Clark this afternoon spoke of making loans to farmers

who meet certain specifications, and let the word "efficient" slip in. Many of the farmers living on these farms do not qualify as efficient. They never had a chance to be efficient. I do not like to call loans to these families rehabilitation loans. That is the wrong name for them. That name came into use because when this program started, we had a million farm families in the Dust Bowl and around the South who had suffered severe adversities because of drought, or the agricultural depression, who had been knocked off their feet and needed to be helped get on their feet again. They needed rehabilitation. But since about 1937 the loans have mostly been "habilitation loans," not "rehabilitation loans." They have been loans to equip families to make a decent living who never had been so equipped, and that is "habilitation" and not "rehabilitation."

Mr. COLMER. Don't you think that of necessity there has yet to be some selection in the loans that are made?

Mr. BLACK. Yes; I have studied the records of the Farm Security Administration rather carefully. A year ago last June I went down to Washington at Chester Davis' request, as chairman of the special group, to make an inside administrative review of the Farm Security Administration program. The report we made has never been made available to the public. It was for the guidance of the administrators. Our analysis of the records showed great differences in loan policy and experience in different parts of the country. In the region centering around Raleigh, N. C., for example, the loans were prudently made, and the collections better than in the other regions of the South, and repayments have been poorest in the section where the president of the Farm Bureau Federation happens to come from. The reasons for these differences are largely historical. This loan program grew out of the F. R. A. and F. E. R. A., which started out to make grants to families that needed help very badly. Later the F. E. R. A. converted many of these grants into loans. The loan program got started sooner in the Montgomery district than it did in the Raleigh district, with the result that a large number of loans were made to one-mule cotton farmers who do not make enough to pay back any kind of a loan. Similarly in the Dust Bowl region, many grants were converted into loans. In one county in North Dakota, over a thousand loans which the families could not pay back were thus created. Most of the Dust Bowl loans thus set up have since been classified as "collection only."

Mr. HOPE. You are going to talk about supervision now?

Mr. BLACK. Yes. Yes, clearly there are weaknesses in the supervision as it has been practiced.

Mr. COLMER. Before you leave that, I want to make an observation rather than ask you a question: Of course, we are all in sympathy with this small farmer, and I am talking about the small hill farmer in my section, in Mississippi, but the argument that is made against this type of loan down there—and I want to get your reaction to it by analogy or illustration—may run something like this: You have two men, one living on one side of the creek and one on the other. One is frugal, industrious, and he builds himself a modest home and he makes a go of it. Then the Government comes in, under this loan provision, goes across the creek to this man's brother, who has the same type of farm, who has had the same type of opportunity, but who had not applied himself, and builds him a better

house and furnishes him with some of the necessities and even some of the luxuries that this other man did not have. What is the answer to that argument?

Mr. BLACK. Well, one answer is that building a house for such family was not good administrative sense. It is necessary to recognize community attitudes when we undertake this sort of a program.

Mr. COLMER. Well, that comes back to the selective loan; does it not?

Mr. BLACK. Well, partly. If we get the participation of local people in such programs, so that local leadership largely determines local policy, with less domination from the regional and central offices, such criticisms are likely to disappear. Do you hear such criticisms of the tenant-purchase loans, which are made upon recommendation of local committees?

Mr. COLMER. Well, no; I cannot say that I do; but the point is that the people locally do not differentiate. They do not know the two programs apart. They come to the conclusion that the Government is putting a premium upon idleness.

Mr. BLACK. Well, all right——

The CHAIRMAN. Let me say here on that point, Mr. Hope and myself were on the Cooley committee that went out to study the operations of the Farm Security Administration, and we brought back a bill which was approved by the House Agricultural Committee.

Mr. BLACK. Yes; I have read it.

The CHAIRMAN. It is now pending before the House, recommended by the committee. The selection of these men was left to a committee of local people who were qualified to say whether or not this man was industrious, whether he was honest, and whether it would be probable that that man would make a success if he were granted this loan.

So we have really taken the matter out of Washington or the regional office and placed it in the hands of a local committee——

Mr. COLMER. Where it belongs.

The CHAIRMAN. And we hope that that bill will ultimately pass and will correct that trouble.

Mr. VOORHIS. But that still leaves the basic program in effect.

The CHAIRMAN. Oh, yes; it leaves the program in effect; that is right.

Mr. BLACK. Yes. I am familiar with the Cooley bill and that feature of it I like very much.

I have not fully answered your question about expansion. I want to make a statement about the families that are said to be shiftless. Many of them when they are looked into closely are found to be half sick from malnutrition or suffering for lack of medical care. You may say that they are half sick because they do not earn enough to feed themselves properly and to feed their children properly. This is another of those vicious circles that we must break into somewhere. I am more concerned over the children than I am over the parents. Somehow or other we must make it possible for the children to get a fair start in life. You asked about supervision.

Mr. HOPE. Yes.

Mr. BLACK. Families in the condition I have described will not make good with their loans in most cases without supervision. If you take the supervision out of these loans you have removed their most essential character. But although supervision is highly necessary, it should be applied in such a way that it is self-terminating.

It is the ambition of the Tenant-Purchase Administration to get families set up under a good plan, help them a little in carrying it out at the start, but after 3 or 4 years, not to have to pay any attention to them. Rehabilitation loans ought to work out in the same way. A good rehabilitation loan ought to take a family that does not have resources enough, that is not properly habilitated, and get it started on the way to becoming, if it is a tenant family, a good candidate for a tenant-purchase farm 5 years later. The F. S. A. loan program can be run in this way. With the kind of collaboration and participation in it by local people that one can get, it can become such a program.

Mr. HOPE. You would say, then, that a family that did not get in a position, say, after 5 years, where it could go ahead under its own steam, might as well be dropped as sort of a loss?

Mr. BLACK. I would, in general, agree to such a statement. The families that show that they cannot make good under such conditions, I would take out of the Farm Security program and put them under some public welfare agency. We have large public welfare organizations in our cities. They look after families that are not getting along in the world—"cases," they call them. They have specially trained people that do "case work" among them. A statistical analysis of the success of the case workers in what we might call "habilitating" urban families, in getting them in shape so they carry on from there, will not show a very high batting average. The Farm Security Administration, working with its so-called "poor trash," has the better batting average with such families. The reason for this, I am inclined to believe, is that having a piece of land on which to habilitate them is an advantage. Nevertheless, I wish that such families could be handled outside the Farm Security Administration, by some kind of public welfare agency, preferably State and local.

In the area around Taos, N. Mex., they pushed a thousand of such families out of the F. S. A. They said, "You will never be able to pay your loans, so you are out of our program." What became of them? We cannot forget about such families. Merely to hand out charity is not enough. We need to do something that will really build them up, and particularly to build up the children. But this should be a separate program.

Mr. VOORHIS. Let me see if I understand this. A separate program from the program of Farm Security loans to the family that can with some help be enabled to either get more land or to get more stock or improve the use of the land?

Mr. BLACK. That is right.

Mr. VOORHIS. You are distinguishing such families from those families that are quite hopeless; is that the idea?

Mr. BLACK. I would prefer to say, from families that we must work on longer and harder.

Mr. VOORHIS. Where you cannot reasonably expect the repayment of a loan?

Mr. BLACK. Where you cannot reasonably expect the repayment of a loan in a short period.

Mr. VOORHIS. Can you in very many of those latter cases expect they will make a go of farming ultimately?

Mr. BLACK. It is hard to draw the line.

Mr. VOORHIS. Yes; it would be.

Mr. BLACK. It is hard to draw the line between these two groups, I agree; but I still would put in a different category those that appear not to be able to stand on their own feet and repay a loan after a reasonable period of time. The Cooley committee in effect drew the line at 5 years; or at least it said that after having received loans for 5 years a family could not get any more until it had paid back what it had got already.

Mr. VOORHIS. It said more than that in the final form of the bill. I think it chopped them off at a 5-year period.

Mr. BLACK. Well, we do not want to go into that now.

Mr. HOPE. No, we did not chop them off at 5 years, that is, they could still renew their loan, but they would have to show some real reason—we had it several different ways. It is a very difficult problem. I have not read the bill lately. I would not be really sure how we finally left it, but my impression is we did not chop them off at 5 years.

Mr. VOORHIS. I think we said we would put it in the bill that at the end of 5 years they would have to repay the loan, and if they had not done so we would figure they were not going to make a go of it. Then it was pointed out in the committee that, however, there was no requirement that they should be foreclosed on at that time. It was within the discretion of the Administrator to let them go along.

Mr. HOPE. That is what I had in mind.

Mr. BLACK. I am not sure, judging from the experience so far, that 5 years is not too short a period in some cases to enable some promising families to get on their feet.

Mr. HOPE. I think the position of the committee was that that was something that could be left to the discretion of the Administrator, but in the case of most families, if they were not able to make a showing by that time, then it would seem that they could never make a showing.

Mr. BLACK. I think that is as much time as I can give to this, because there are a few other things I want to cover.

The next point I want to make is not with respect to getting these families more land, but rather with getting them some help in making the land they have now more productive. They may have land that needs draining, or some small-scale irrigation work, such as a well; or they may need to improve their pastures or woodlands. It is not an easy matter to establish a good pasture in the South. It may need to be fertilized, or have some contouring on it to retain the water. If these farms are to have more cows, they must have good pastures and it takes money to establish pastures.

Probably most important of all, a million or so farms in this country need to have their woodlands improved. The land in woods on a majority of these farms is yielding very little income at present, and it could be made to add importantly to the farm income. Timber and wood products are going to be in great demand in the next 50 years. The farmers in this country are not very well informed as to good woodland practices. They have not had 25 years of good extension education in this as they have in production of crops and feeding and care of livestock. The extension work in farm woodland management needs to be greatly expanded. Woodland owners need help in making plans for improvement of their woodlands and in selecting the trees to be cut.

For all of these types of improvements of land now within farms, a special type of credit is needed that might well be called land improve-

ment credit. The ordinary production credit loan will not serve because it does not run for a long enough period. The Farm Credit Administration loans can be used for this purpose in case the present mortgage is small. Moreover, some of these types of improvements will not yield any increased income in the near future. This is particularly true of woodland improvements. The schedule of repayments needs to be adjusted to the timing of the probable income from these improvements. This might well mean, in the case of some woodland improvements, no payments for 40 years or more. The repayments probably ought to be designated in terms of a fraction of the income at the times of sale of woodland products.

Probably, also, the interest rate on loans of this sort, particularly the long-term woodland loans, should be reduced to the lowest possible figure. The Nation has an important interest in having these woodlands improved. Not only will the oncoming generations need this timber, but it is important to keep rough and erosive land in forest growth as a way of reducing run-off and preventing floods and the siltation of streams, dams and reservoirs.

Probably a special kind of credit instrument is needed for such loans, something in the nature of a lien against the land that will be passed on from one owner to the other.

MR. COLMER. Would you expand a little bit on this subject of land improvement? Are you talking about fire protection, and what else?

MR. BLACK. No, I did not mention fire protection.

MR. COLMER. I know you did not. I was just trying to find out what you did mean.

MR. BLACK. Fire protection has to be organized and supported publicly in large measure, out of Federal and State funds. By woodland improvement, is meant such things as cutting out weed species of trees, or poor trees, so as to give the rest a chance to come along and make a good crop of trees. It also means replanting on parts of tracts that do not have any trees started. It means taking the poor woodlands of the country and working out plans for their development that will result in their having some timber worth cutting, in 25 years or less if they already have some second-growth on them, perhaps in 40 or 50 years if the stands are very young. The full harvest may not come for 80 years in some cases. I have assisted in working up such plans for some tracts of land in New England, also in the TVA region. We have made estimates in some cases as to what the woodlands thus developed will contribute to the farm income by 5-year periods and what the expenses and labor inputs will be. The farm woodlands fit into the farm operations as something to work on during the times of the year when there is no field work to do. They thus afford an important opportunity for additional income.

Involved in these woodland improvements are expenditures of various kinds that the farmers are not likely to make. Particularly is this true of the planting. But more important is it that many of them will not do the necessary labor if they are to get no immediate return for it, upon which they can live in the present. Hence the need for advances or loans against such improvements.

Similarly much land in farms around the country needs draining. The three farms that I grew up on had from 10 to 50 acres of land that needed tilling and drainage that would have made them much more productive.

Mr. COLMER. Are you leaving this subject of land improvement loans now?

Mr. BLACK. This is all the time I can give to land improvements. Let me remark, however, that if it is important to improve the land in these farms, it certainly is worth while to improve the farm families themselves. It is not enough in many cases merely to get the low-income families more land and working capital. The farmers themselves are not capable at present of farming what land they have as it should be, to say nothing about additional land.

Many of them need help in planning their rotations, in deciding what fertilizer mixture to use and how much fertilizer, and in balancing the rations of their cattle. The agricultural extension services of the States and the county agents are helping these families at present, but there are many more of them than they can take care of. Also in many cases the methods the county agents have to use do not get close enough to the actual farmers and farms. It is not enough to get these farmers together in meetings and talk to them. The extension workers must sit down with them and help them work out the steps in the reorganization of their farms. The F. S. A. and S. C. S. are assisting some of these farmers in the way that they need it. They and county agents can work together on it to very good advantage.

2. Let us now turn to a second of the four subjects listed for discussion, namely; Basic long-run policies to lessen instability of income resulting from variations in production and in demand.

There is not much that needs to be said on this subject that has not already been covered under the discussion of the first point. If the long-continuing disparities between agriculture and the rest of our society are removed, the effect of temporary recessions will be less serious. Farmers will be able to carry themselves along during ordinary depressions. This does not mean, however, that depressions are not a great evil and should not be prevented.

Such prevention is a problem for the general economy and not for agriculture. It is possible for industry and trade to prosper while agriculture is still considerably depressed. This happened in the twenties and has happened before in our history. It will be more likely in the future than it has been in the past because people will be spending smaller proportions of their incomes for food.

Some attempts have been made to prove that general business depressions have their origins in agriculture, but the proofs have no scientific standing. The most recent attempt to show this appears in an article in the *Country Gentleman*. This article is said to present the results of a study made by the research staff of the National Association of State Commissioners of Agriculture.

The Wages and Hours Administration proved by exactly the same methods that agricultural prosperity depends upon high wages and the earnings of labor. It pointed out that when factory pay rolls were \$12,000,000,000 a year, farmer's incomes totaled about \$12,000,000,000. During the depression both went down together until 1932 when they stood at \$5,000,000,000. By the end of 1939 both had climbed back to a level between eight and nine billion dollars.

The truth of the matter is that agricultural incomes, factory pay rolls, and business incomes all move down and up together in and out of general business depressions. No one of them is the cause of the other. They are all caused by the same thing. They appear to move

together on the charts because the general price level moves down and up in and out of depressions, and prices, wages, and incomes move with them.

The problem of preventing business depressions is very important for agriculture, but it cannot be solved by anything which may be done with and through agriculture. If agricultural incomes could be kept up by finding markets for surplus farm products somewhere outside of the country at good prices, this would contribute several billion dollars to the national income, and would add to the general prosperity to that extent—and a little more besides because the railroads, processors, and middlemen would earn a little more from handling this product.

This is not the place to discuss this problem, nor the question of how to prevent general business depressions. A few suggestions can be made, however, as to how agriculture can be helped in case a depression does develop.

(a) The more widely that social security can be extended, and the more of the unemployed that receive unemployment compensation, the better will the demand for farm products be sustained. The reduction in purchases of food by unemployed people is what largely causes prices of farm products to decline relatively more than other prices during depressions.

(b) For the same reason, the development of public work projects so as to keep up the income of the otherwise unemployed urban workers will be of benefit to agriculture.

(c) Public works in rural districts at such times can provide an additional source of income for unemployed members of farm families.

(d) At such times, land improvement loans should be increased. This will provide additional employment on the land in case these improvements are made with hired labor. Many of them should be made by the farm families themselves when they are otherwise unemployed. A plan could be developed under which work done by the farm working force in improving their own land can be appraised, and advances, in the nature of loans, made to cover a safe fraction, perhaps 70 percent, of the value of these improvements. These advances will become an immediate source of income to these families, which will help out greatly in depression periods. A good forester would go onto a farm woodland and work out a plan for its improvement. The plan would say "This is what needs to be done on this woodland. This represents, over the next 3 years, 100 days of labor. You go ahead and do this work and we will come back and appraise it, and make you an advance of 70 percent of the labor it represents." This will be in the nature of work relief on the farmer's own farm, putting it in a state of production. I would rather contribute in the form of low interest rates, perhaps no interest at all, to this kind of subsidy than to give hand-outs to these people. The Nation will get repaid in the erosion and flood control resulting, and the increased timber supply in the future. The Soil Conservation Service has already done a little of this. The Farm Security Administration tried it out on a small scale in a few areas in Mississippi. I visited one of these in 1941.

(e) Supplementary food distribution needs to be stepped up at these times as a way of supplementing the social-security payments of un-

employed workers. An effort should be made to maintain the diets of unemployed workers at a full working efficiency level.

(f) Loans without recourse can be used to advantage during such periods, but they should not be set very far above prevailing market prices. To do so reduces the consumption of these products just at the time when it needs to be expanded. It is must better to spend money on expanding the various forms of supplementary food distribution at these times and sustain prices in this way, than to peg prices at levels that result in the accumulation of large stocks.

(g) An effort should be made, through the International Food and Agriculture Organization which is now being formed, to move food and fibers into countries with large ill-fed and ill-clothed populations.

It is better to make outright grants to farmers—call them parity payments or anything you wish—than to hold up prices at a level that will keep the product from moving through the channels of trade. But better than to make outright grants is to work out a program that will facilitate the needed improvements in agriculture and shifts in production. In place of outright cash payments without any conditions attached to them, there could be a greatly expanded program of advances on land improvements with low interest rates. If this was not adequate, outright grants could be made to assist in making some of these improvements. These would be in the nature of work relief for farmers on their own farms or in their own communities.

If outright payments were made, they should be in proportion to the output of products that we need to shift to, rather than in proportion to output of those we need to shift away from. For example, they had better be in proportion to output of dairy products, eggs, and meats, rather than in proportion to the cereals and cotton which we need to produce less of in order to reduce our surplus. These additions to the prices of products that we should shift toward would be in the nature of premiums, or possibly support prices such as we are now using during the war. They could be varied by areas in such a way as to equalize the subsidies of the different areas.

With respect to (b) in the above outline, if the International Food and Agricultural Organization operates as it should, it will have a central body that will say, "Now, the United States has a lot of surplus cotton, also the Brazilians. What can we do about getting this used anywhere in the world where they need it, and then try to work out a plan for getting it distributed? This plan need not be cumbersome. An administrative committee could get the facts as to how much cotton the Greeks could use, how much the Czechoslovakians could use, and so forth, and how much their governments would be willing to distribute as supplementary cotton, and make a pool of it, and then get in touch with the countries that have cotton and divide the pool among them. Such pools need not be limited to European countries.

Mr. COLMER. But who would pay for that?

Mr. BLACK. The governments would pay for it, just as we distribute food to our own ill-fed people. If the Greek Government were in a tight spot and could not appropriate the necessary funds, it could be handled on a credit basis.

Mr. COLMER. I suspect they are in a tough spot and those other countries would be in a tough spot, wouldn't they? So we would have to figure on some other basis than their paying for it.

Mr. BLACK. Immediately after the war, yes. Another part of the international program now being developed is provision for agricultural credit. The plan for F. A. O. goes so far as to provide that in case the International Credit Bank that is set up does not include agricultural credit adequately, F. A. O. can go ahead and do this itself.

Mr. COLMER. Was that the Export-Import Bank's function?

Mr. BLACK. That was a national undertaking as I understand it.

I want to wind up the discussion of the first two subjects in the list by saying again that it is better to make outright grants to farmers—call them parity payments or anything you wish—than to hold prices at a level that keeps them from moving through the channels of domestic and foreign trade. I agree with Dr. Clark's statement on this point. But better than to make outright grants to farmers is to work out a program that will facilitate the needed improvements in agriculture and the needed shift in production.

If outright payments are made to farmers, however, they should be in proportion to the output of the products they need to shift to rather than in proportion of the output of those they need to shift away from. To be specific, they had better be in proportion to the output of dairy products, eggs, and meats, rather than in proportion to cereals and cotton which we need to produce less of, in order to reduce our surpluses. These additions to the prices of products that we should shift toward would be in the nature of premiums, or possibly support prices such as we are now using during the war. For example, I would pay premiums on milk in Mississippi to help the cotton farmers who need to shift to something else.

Mr. HOPE. That is all right. That's sound. But when you go to put something of that kind into a legislative program, you are going to run into a pretty difficult proposition. I think I know what the reaction, say, of Minnesota or Wisconsin farmers might be to the payment of a premium for dairy products in Mississippi.

Mr. BLACK. I know very well what it was.

Mr. HOPE. You remember the Boileau amendment, perhaps.

Mr. FISH. Don't overlook New York in that statement, either.

Mr. BLACK. At the time the Boileau amendment was passed however, nobody said to the dairymen, "If we get too much dairy product, we will see that it is distributed to underfed people that need it." We could say that now if we were so minded. We could take care of the dairy products in school lunches and in stamp-plan distribution, because we want our people to have more dairy products.

Mr. HOPE. I agree with you that this would certainly make it less controversial from the standpoint of the people already engaged in dairy production. I think you would have to assume that with the program.

Mr. BLACK. Let me continue on this point. There are many farmers in the South who do not have even one cow at the present time. The South is not going to get its dairy products if its people have to go into the market to buy them. But if we can get the South to produce its own dairy products, it will consume more of them. A major part of the expansion of dairy production in the South will not add anything to the commercial supply. It will add to local consumption, and that is where to put the first emphasis.

At a conference of extension workers and others in Hot Springs, Ark., in the winter of 1941 I asked the question: "How many families

are there in this city that do not have enough milk? Eventually a social worker rose and estimated that half of them didn't. I then called on a county agent and asked: "How many farmers are there around here that would like to produce more milk if they could be assured of an outlet?" He made quite a statement on that subject. Thus right at Hot Springs itself was an opportunity to bring production and consumption into line with each other. If all the cities of the South would make a similar adjustment the farmers of southern Wisconsin would not be affected at all.

Mr. FISH. May I make a suggestion? It is very charitable and very fine and very idealistic—nobody will deny that—but there are probably a million consumers in the city of New York who would like to have more milk, perhaps two bottles instead of one. I think it is a great idea, but who is going to pay for it?

Mr. BLACK. We paid \$712,000,000 in 1938 and 1939 on a triple A program. I think half of that would go a long way toward financing needed shifts in production.

Mr. FISH. You would take it out of the A. A. A. program?

Mr. BLACK. The A. A. A. is not a \$712,000,000 program now. We are talking about what to do in place of the old A. A. A. program as we come out of the war. As we proceed to increase our expenditures, as we will do if we find ourselves threatened with surplusses, if we will just spend half of what we might be tempted to spend on production and spend it on consumption adjustment instead, the farmers will get just as much for their products as they would if the money was spent on production directly.

Mr. FISH. Well, we have this enormous market in New York City and if we can increase it and give these fellows two bottles where they had one before, at a reasonable profit to the farmer, if some governmental agency can do it, I think it would be a very fine thing.

I want to say this: that I would far rather have that done than what we probably will do, that is, send it all over the world to other nations who need it probably even more so than our people. We have an awful lot of people in New York City that are underpaid white-collar class suffering from taxes, high cost of living, that are in need of milk. I know where my preference would be. I like your argument, but I want to get something a little stronger to show me how I can go out and advocate that on a sound basis and still not have people say, "You are just as bad as the rest of them, you want to give everything away." I would love to have that.

Mr. BLACK. I cannot take time to go further into the details of this now.

The next section of the outline is called 3. Policies to promote higher levels of consumption and nutrition.

These policies have already been discussed in some detail under the first two headings. They had to be because expanded consumption of food and cotton has a major contribution to make to the long-run prosperity of agriculture.

It was pointed out under these heads that many families on these poor farms are not doing well partly because they are malnourished. All of the surveys that have been made of the diets of farm families in the areas of poor and small farms indicate that half or more of them have diets that are lacking in very important foods. Many of the families in the South live on a diet that contains too much corn,

and in consequence they do not obtain enough of the vitamin niacin to keep them healthy and industrious. Many of them have poor health for other reasons. They did not receive the necessary medical attention when they were growing up or are not getting it even now. It is highly important that rural health services be strengthened. The home demonstration agents have many more families than they can help properly in such areas.

These families can help themselves also if they will produce on their own farms much more of the protective foods. Much progress has been made in getting them to do this in the last 10 years, but the program needs still more emphasis.

However, a good deal more needs to be said on this subject from the standpoint of the importance of improved nutrition itself. I have been working for the past year with a special committee of the National Planning Association consisting of representatives from agriculture, business, and labor in developing a statement on a national food and nutrition program. This statement is in its final stages. It is likely to be approved for publication at the next meeting of the three overhead committees of the National Planning Association, those on agriculture, business, and labor. It will probably be issued some time in March. This, I hope, will be in time to help you with your final deliberations on post-war policy. In the meantime, I have enough copies of this confidential statement so that I can leave them with you for your personal use, but please understand that this statement is not a part of the record.

The CHAIRMAN. Very well.

Mr. BLACK. I can, of course, indicate the nature and content of this statement. It reviews the measures to be taken to secure improved nutrition under three heads: Individual or private; group or organizational; and public or governmental. It develops at considerable length what individual consumers can do to improve their diets, what the medical profession can do to help them, what the producers of food can contribute to such a program, and finally, what business, including the processors and distributors, the operators of restaurants and the like, can contribute. It then takes up what consumer organizations, labor unions, farm organizations, and various business organizations can do that will help. The last section of the report is devoted to the public or governmental measures which are needed. These are considered under the heads of education, research, and finally services, under the latter head coming services to consumers, to food producers, and to food distributors and processors.

The last subject on the list which you asked me to discuss is: 4. Relationship between our foreign-trade policy and domestic agricultural policy.

What I am presenting to you on this subject is stated more fully in an article in *Dun's Review* of last June, a few copies of which I am handing you. I have no doubt that the way of disposing of the agricultural surpluses that will be most favored by many will be in the foreign market. The trade generally prefers this because it thinks it interferes less with domestic trade. Present surplus-property legislation already authorizes such a procedure. Exports have been of great importance to our agriculture in the past, and could well be in the future. There can be no doubt that we needed a foreign market for farm products before the war. The article starts out by comparing

two periods in our agricultural history; the first, 1910-19, when we were exporting 13 percent of our farm products, and the second, 1934-40, when we were exporting 6 percent of them. After due allowance for differences in the price level and in the general levels of labor income and buying power in these two periods, agriculture appears to have been definitely better off in the first period than in the later period. More than this, in the earlier period, the larger the agricultural output the more real money it brought the farmers. The peak year output of 1912 sold for a fifth more than the small output of 1916. In those years it was more than wise to expand our agriculture. It yielded big dividends to do so.

But after 1934 this was not true any more. The year 1940 had the largest crop in this period. But it did not sell for as much money as the short crop of 1936. One could not honestly say to the farmers of the country in 1934-40: "Go ahead and produce all you can; the more you produce next year the more money you will get for it." What actually seems to have happened is that the large outputs sold for about the same money as the smaller ones. But since the costs of the larger crops were more, the net returns to the farmers were less.

Another part of this article discusses the extent of the agricultural surpluses after the war and the period of relief and reconstruction are over. The conclusion, as I indicated earlier, is that we will have a surplus representing about 10 percent of our food and fiber, even with high-level employment. This represents about \$2,000,000,000 worth. If we were accumulating a surplus before the war, this 10 percent will be in addition to the surplus that we were accumulating then.

Later sections of the article discuss what to do about obtaining better markets for farm products. First of all, we should not do the things we did from 1929 to 1940 to take us out of the foreign market. Some of these were done under the Federal Farm Board and some under the Agricultural Adjustment Act. Both had the effect of raising prices in this country above the world level of prices. We in effect acted like monopolists and tried to hold up the rest of the world. We failed in that effort.

The article also advances the usual cogent arguments against export dumping and paying export subsidies. It does not condemn the two-price plan but neither does it approve it. All that I wish to say on that subject at this time is that the two-price plan can be operated in such a way that it is neither an export subsidy nor export dumping in the usual sense of the word. It also can be handled in such a way that the receiving countries can have no important objections to it and so that it will be much less objectionable to competing export nations than any alternatives that have been suggested—other than straight reduction of tariff barriers in one form or another.

It is to be doubted if the kind of two-price system authorized by present legislation will prove to be acceptable. The deficits made up out of the Public Treasury—arising from selling products at foreign prices that are bought from farmers at parity prices—are essentially export subsidies. Other exporting nations will pay similar subsidies, and our exports will be very little larger after all. International agreements already drawn contain commitments not to pay such subsidies. The most feasible type of two-price proposal is still that suggested by Dr. Beardsley Ruml in 1928, and presented to Congress

and the public by the senior author as the domestic allotment plan in chapter 10 of his *Agricultural Reform in the United States*.¹ Under this plan the grower would have received the export price for the part of his product that was exported, and a higher Government-supported price for the part of it which was sold abroad. He would have received a quota covering only his share of the domestic market. He would have been free to produce as much or as little as he wished at whatever price the export market would bring. Thus no direct subsidy would have been paid on exports. The Government would need to make no subsidy payments out of the Public Treasury. If such a plan were to be applied, the prices of the different products could be held at parity or other desired level in the domestic market and the country would still be in a position to export freely, and to take part in international efforts to make staple foods more available to the underfed millions of Europe, Asia, and South and Central America.

Perhaps I can conclude the discussion of the international aspects of this subject by a paragraph from the review that I have just written of the report of the special committee of the Land Grant College Association on post-war agricultural policy:

The discussion in this report of the international phases of agricultural policy runs pretty much in old grooves—tariff reduction, multilateral trade, the United States as a creditor nation, we can't sell if we don't buy, etc. Back in the early thirties we broke out of what were then the old grooves and came forth with reciprocal trading agreements. They represented a new approach to the problem. We are greatly in need right now of another new approach, one that will accept the principles of the trading agreements, but go well beyond them in application. The nature of such an approach is perhaps suggested by the word "positive." This means not stopping with attempts to sell abroad, but also helping to develop buying power abroad. It means planning production and exchange in advance and internationally. It means that this country will deliberately plan with other countries to produce certain foods needed to raise their dietary levels, and to import other products, including foods, to balance the accounts. The exchanges can be as many cornered as the heart desires. Unavoidably a limited amount of direction and control will accompany such collaborative efforts—but it will be public and not cartel control.

I have in this form covered the four questions that you gave me, but I have not gone into detail in the last two because I knew there was going to be a shortage of time, and because I can leave this supplementary material with you.

The CHAIRMAN. We are certainly appreciative of your appearance here, Doctor, and I am sure that the information that you have given us will be very helpful.

Mr. COLMER. Mr. Chairman, I would like to add my appreciation.

Mr. VOORHIS. So would I.

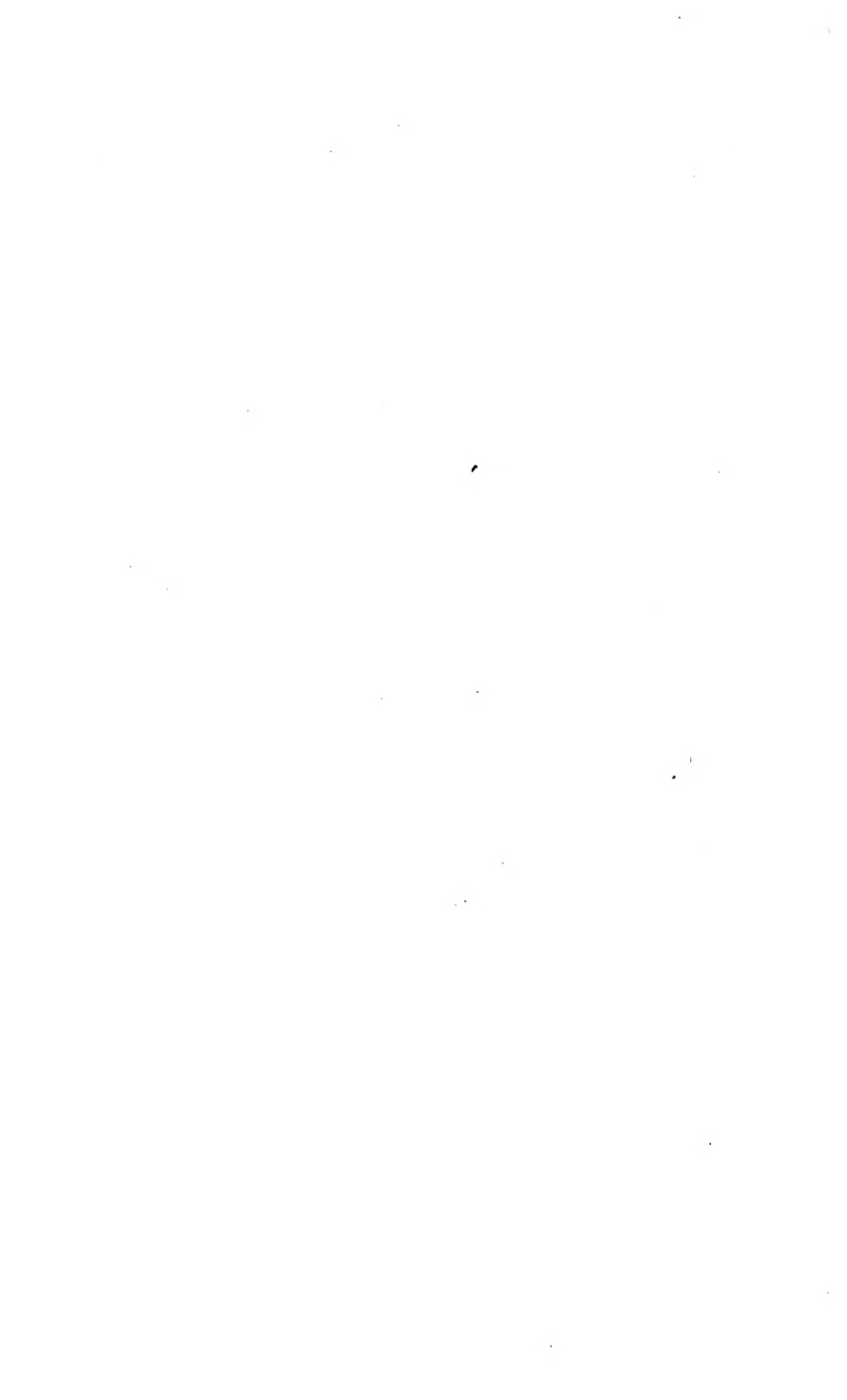
Mr. COLMER. And I am sure it is on behalf of the whole committee. The CHAIRMAN. Yes.

We will adjourn until Monday at 9:30 in room 15.

I may state that we will quit promptly at 12 o'clock so that we may visit the Swift plant and return at 2:30.

(Whereupon, at 5:30 p. m., Saturday, December 16, 1944, the hearing was adjourned to 9:30 a. m., Monday, December 18, 1944.)

¹ McGraw-Hill, 1929.



POST-WAR ECONOMIC POLICY AND PLANNING

MONDAY, DECEMBER 18, 1944

HOUSE OF REPRESENTATIVES,
AGRICULTURE SUBCOMMITTEE OF THE SPECIAL COMMITTEE
ON POST-WAR ECONOMIC POLICY AND PLANNING,
Chicago, Ill.

The committee met at 10 a. m., Hon. Orville Zimmerman (chairman) presiding.

Members of committee: Hon. Orville Zimmerman, Hon. William M. Colmer, Hon. Jerry Voorhis, Hon. Hamilton Fish, Hon. Clifford R. Hope, Hon. John R. Murdock.

The CHAIRMAN. The committee will come to order. We have with us today Hon. Edward A. O'Neal, president of the American Farm Bureau Federation.

Mr. O'Neal is one of the outstanding thinkers on agricultural problems of our Nation. He is a practical farmer, and he has the cause of agriculture in his heart. Therefore, this committee is honored and pleased to have Mr. O'Neal appear and give his views on what he thinks we should do for agriculture during the post-war period, whenever that time comes.

Mr. O'NEAL. Thank you. I appreciate this opportunity of presenting it to you.

The CHAIRMAN. We have with us today Hon. John Murdock, of Arizona, who was unavoidably detained in Washington on Friday and Saturday, but who has made his appearance here today. He is a member of this subcommittee. We are mighty glad to have him with us. I want to make that announcement so that you will all know who he is.

Mr. COLMER. And he is a very able asset to the committee.

The CHAIRMAN. Would you prefer to read your statement, Mr. O'Neal?

Mr. O'NEAL. Yes, I would.

The CHAIRMAN. That will be satisfactory and you can proceed in your own way.

Mr. O'NEAL. Thank you.

TESTIMONY OF EDWARD A. O'NEAL, PRESIDENT OF THE AMERICAN FARM BUREAU FEDERATION

Mr. O'NEAL. This committee is to be complimented for the interest shown in agricultural problems. It is hoped that out of these hearings programs may be developed that will help the Nation meet the challenge of the post-war period.

In a telegram received from Chairman Colmer, I was asked to present a statement regarding four important and closely related

topics. They are as follows: (1) Basic long-run policies to lessen instability of income resulting from variation in production and demand; (2) basic policies to place agriculture on a satisfactory, self-sustaining basis in the long run; (3) policies to promote higher levels of consumption and nutrition; (4) relationship between our foreign-trade policy and domestic agricultural policies.

The twenty-sixth annual convention of the American Farm Bureau Federation was held last week here in Chicago. It was very gratifying to me, as I am sure it must be to all friends of agriculture, to know that the American Farm Bureau Federation now has a membership of 828,000 farm families, an increase of over 141,000 families during the past year. Our organization now represents over three and one-half million individuals.

The convention adopted an extensive set of resolutions. Twenty-five men from all over the United States served on the resolutions committee. These men spent nearly a week drawing up resolutions. Open meetings were held where delegates, members, and others presented their views. The resolution were debated on the floor of the convention before adoption.

I know of no better source of information that represents the grass-roots thinking of farmers than these resolutions. Therefore, most of my testimony today will be the reading of certain of our newly adopted resolutions, which bear on the problems under consideration.

Never before have I witnessed as much willingness on the part of any group to meet with others and seek a common solution to mutual problems as was demonstrated at our convention. Farmers' realization of the mutual interdependence of the various segments of our society is demonstrated by the first two resolutions adopted by our convention. They are as follows:

Democracy and economic balance. Several years ago the American Farm Bureau Federation, in annual convention, called public attention to the threat to democracy all over the world in the development of the philosophy of statism and totalitarianism.

We recognized the fact that our own sacred traditions and our own institutions of democracy were imperiled by the machinations of fanatical political leaders in certain other countries who, utterly without conscience and lacking all principles of human decency, were leading their peoples to degradation and destruction.

In an appeal to our own people, we declared in effect that economic liberty is prerequisite to political liberty; and we emphatically urged all groups to pool their strength in voluntary and coordinated efforts to formulate and maintain in our beloved Nation broad policies designed to achieve the economic balance among groups, which is essential to the employment by all citizens of our heritage of liberty and freedom.

"America," we said, "needs an economic balance which will assure security for labor, stability for industry, and parity for American agriculture."

Today, with increased emphasis, we renew that appeal to all groups in America. At war's end, the situation will be one of extreme urgency, its critical importance intensified by the world-wide obligations we have assumed through our participation in this war, which already has brought to our people a greater measure of suffering and heartbreak than any other war in our history.

It is our profound conviction that unless we do achieve domestic economic balance in the immediate post-war years, we are bound to fail.

We are fortunate above all other nations in the fact that our resources, our productive facilities, our political stability, and the physical strength of our people will be less disrupted and less impaired than those of any other nation. If we will utilize our unparalleled resources of men and materials so as to assure material abundance and political freedom to all our people, we can, by the force of our own example, profoundly affect political and economic trends throughout the world.

In attempting to pool our forces in a great movement on behalf of the national welfare, all groups must be prepared to minimize their former differences while they magnify their respective responsibilities and obligations to labor faithfully for the welfare of the entire people. We hope and trust that all groups may approach their task in a spirit of prayerful humility, in full realization of the sober fact that the pattern of American life for the next century will depend in large part on decisions that they must make. The goal is very great. It can be reached if our people will rise to the heights of greatness that the times demand. They will be making the future for them and their posterity. They must not fail.

Therefore, with all the earnestness of which we are capable, we appeal to the leaders in other groups of agriculture and the recognized leaders in labor and in industry, to join in a series of conferences in 1945, to formulate a program necessary for the establishment and maintenance of policies designed to assure large-scale production of the products of both agriculture and other industry, and their interchange on a basis of true economic balance and the establishment and maintenance of a standard of regular wages for workers on such a basis of economic balance.

Importance of a prosperous agriculture to national welfare: In the post-war period this Nation will be faced with a situation in which the maintenance of a high national income is imperative to our national welfare. The post-war national debt is now estimated at \$300,000,000,000, the principal and interest of which can be retired only by a prosperous nation with full production and full employment in industry and agriculture. The war has demonstrated conclusively that this Nation has a vast productive capacity which can be used to supply our peacetime wants if only we have the foresight and ability to adjust our economy in such a manner that will permit our productive capacity to function.

We believe that a stabilized prosperous agriculture is essential to the maintenance of a prosperous nation. Rural America offers a vast potential market for the mass production of industry. Nearly one-fourth of the population of this Nation lives on farms. The economic well-being of another 21 percent of our population who also live in rural America and perform services for farmers is directly dependent upon the production and the buying power of agriculture. Agriculture is the Nation's greatest producer of basic new wealth upon which the economic well-being of a large proportion of our urban population is dependent.

The capital invested in agriculture approximates the investment in all manufacturing industries and exceeds the combined investments in

railroads, all utilities, and corporations of trade. Agriculture employs as many workers as all manufacturing industries.

The importance of the farm as a market for industrial products is not fully appreciated. The farmer spends a greater proportion of his income for the products of the heavy industries than does any other large segment of our population. Continuous operation of the heavy industries is essential to maintain satisfactory business activity and industrial employment.

The demands of farmers for industrial products and services will be the greatest single contributing factor to a continuous prosperity of all segments of our economy. Undreamed of markets will exist for all types of new machinery, new trucks, new automobiles, new buildings, fences, farm home improvements and conveniences of every character, and thousands of other articles essential to agricultural production and farm living.

The Nation should recognize that only a small percent of the farm homes of America yet have modern improvements, and certainly farm women are entitled to every modern home convenience that is now being enjoyed by a large percent of the women of the cities. To fill these needs alone will afford industry and labor a vast field for expansion of business activity.

Farmers will not purchase industrial commodities beyond their immediate and essential requirements unless they are assured that farm prices and farm income will be maintained at reasonable levels.

Therefore, the welfare of labor and industry—in fact, the national well-being—requires the adoption and maintenance of economic policies and relationships necessary to assure a fair exchange value for the products of industry and agriculture, and the maintenance of continuous and substantial wages for labor in line with such a balanced price level.

National farm program: The following resolution was adopted concerning the national farm program. The national farm program is the outgrowth of basic laws enacted by Congress as a result of 25 years of struggle for economic equality by organized farmers with other groups.

The American Farm Bureau Federation played a leading part in getting these laws enacted and in preserving and improving them from time to time. These laws have served as a framework of the wartime program to secure maximum production of food and fiber required for wartime needs, and to safeguard farm prices. The entire Nation, as well as every farm family, is enjoying the benefits of this legislation.

The American Farm Bureau Federation again reaffirms its support of these basic laws. Necessarily, they will have to be modified from time to time to meet changing conditions and needs in the light of experience. Likewise, they must have sufficient flexibility to meet varying conditions with respect to commodities and areas.

The transition from war needs to peacetime needs will bring many difficult problems to agriculture and the Nation. We believe the adjustments involved in this transition can best be achieved through the retention and strengthening, wherever necessary, of these basic laws. We recognize that a high level of industrial employment and urban income is essential, but we learned through sad experience after World War I that these alone are not enough to assure parity for agriculture. We must have an effective national farm program to safeguard farm prices and farm income and assure economic

balance between farm prices, industrial prices, and wages which will assure the maximum exchange of goods and services between all groups.

Farmers want an economy of abundance and they stand ready to join with industry and labor to achieve such abundance through price policies and wage policies which are geared to a maximum level of consumption. The public should understand, however, that farmers are already producing at record levels and that one of the major objectives of the national farm program is to assure adequate supplies to meet all domestic and export requirements plus reasonable reserve supplies for emergencies which are a safeguard to the welfare of the Nation.

It should also be recognized that under the parity principle, farm price goals will be reduced or increased in direct ratio as industrial prices (and industrial wages as reflected in industrial prices) are reduced or increased. Whenever surpluses reach unmanageable proportions, however, it is imperative that farmers have the necessary machinery to control these surpluses and to adjust supplies to total demands of markets, so as to prevent such surpluses from wrecking farm prices and destroying farm purchasing power, and resulting in an unbalanced national economy.

Specifically, we insist upon the following basic measures:

1. Retention and strengthening of the Agricultural Adjustment Act and related measures covering the conservation of soil, water, and forest resources; price stabilization by means of mandatory commodity loans for basic commodities, and price supports for non-basic commodities under the Steagall Act; continuation of section 32 funds to promote the disposal of surpluses in domestic and foreign outlets; continuation and strengthening of section 22 to provide for import quotas, whenever necessary, to safeguard domestic agricultural programs.

2. Continuation of the present mandatory loan rates on basic commodities and the price supports which are now provided under the Steagall Act, as amended, for the period of the present emergency, as defined in that act.

3. Continuation and strengthening of the Agricultural Marketing Agreements Act of 1937.

4. Adoption of a positive, effective policy and program for regaining our fair share of world markets for our exportable surpluses and developing new and expanded outlets in domestic markets.

5. That the foregoing programs be carried out, insofar as possible, in such a manner as to enable farmers to obtain parity prices in the market place; that ceiling prices be adjusted so as to eliminate subsidies in lieu of fair prices.

6. Intensification and expansion of research, particularly in the fields of plant and animal breeding, improved methods of production, development of improved products to meet new requirements and to meet competition with synthetic products, and the reduction of costs of distribution.

7. That necessary appropriations to carry out the foregoing program be provided, including the payment of any losses occasioned by operations under commodity loans or price supports or in regaining our fair share of world markets. Consumers are protected against scarcity in these programs and producers must be protected against losses due to price-depressing surpluses.

We reiterate our previous recommendations for the improvement of administration of all agricultural programs. We commend the progress that has been made and urge the utmost cooperation of all concerned in carrying out further improvements in the interest of economy, simplification, better coordination, and a greater measure of decentralization.

In this connection we commend recent trends toward greater decentralization of the agricultural conservation program, and we urge that hereafter no soil-conservation practices be included in any program for any State which is not approved by the State experiment station or the State extension service.

Education and research: Other resolutions dealing with farm problems covered a wide variety of subjects. Realizing their splendid work, and realizing the tremendous contribution the land-grant colleges can make to the solution of post-war agricultural problems, we favored an increase in the appropriation to the extension services adequate to provide every agricultural county in the United States with a county agent and a home demonstration agent, and on the basis of need, such assistant agents as are necessary to discharge fully the duties imposed upon the extension service.

We stated that special emphasis must be given to research in order to develop better methods of production and soil use, new crops and improved varieties of crops, new and better breeds of livestock, and new and expanded uses for agricultural commodities.

More efficient methods in the distribution of agricultural commodities in order to avoid costly waste and extravagant handling must be devised. We commend Congress and your committee, Mr. Zimmerman, for setting up a special committee to make a study of distribution, and believe this will assist to a great extent in solving some of these problems.

Special emphasis must be placed on the problems in production and distribution of food in general, and methods of enabling agricultural fibers to compete successfully with synthetic products.

We recommended that the research program of the regional agricultural laboratories be broadened, and additional funds be provided to carry on their work in cooperation with our presently established land-grant colleges. We insisted upon the more effective coordination in the planning and conduct of all agricultural research.

Rural electrification and roads: We also stated that the extension of electric service to rural areas should be pushed with renewed energy just as soon as men and materials become available. Our board of directors, following the annual meeting, has instructed the officers to investigate the possibilities of developing a program for the extension of rural telephones.

We reiterated our long established policy in favor of Federal-aid appropriations to the States for the construction of a Nation-wide system of highways, but we insist that such funds be based upon justifiable highway needs; that Federal funds be matched by the States on a 50-50 basis; that the historic formula for apportionment of Federal-aid funds to the States be preserved; that greater emphasis be given to the construction of economical all-weather low-cost farm-to-market roads, including school bus and mail routes, which will be connected with Federal and State highways; and that any Federal

superhighways constructed after the war be routed to serve existing market centers.

Farm credit: We adopted a very extensive and detailed resolution concerning farm credit. Some of the high lights of this resolution are as follows: We believe the time has come for a careful reappraisal of our farm credit needs and facilities and for reorganization and coordination of such facilities and services in the light of experience and the needs of agriculture.

We will continue to oppose any and all efforts to convert the Farm Credit Administration into a Government-owned or Government-operated system. The federation has recognized the need for emergency types of governmental credit, especially to low-income farmers who cannot secure credit elsewhere in order to meet temporary needs or to assist in genuine rehabilitation.

All farm credit agencies, including the cooperative credit agencies now under the Farm Credit Administration and all governmental direct lending agencies making loans to farmers or farmers' cooperative associations should be placed under the direction of a single independent national policy-making bipartisan board.

Credit should be so administered and regulated that it will not contribute to land inflation. Unwise credit policies are one of the important factors in stimulating inflation.

In regard to our returning veterans and farm credit, we had the following to say: We strongly urge that the Veterans Administration cooperate closely with the Farm Credit Administration, farm organizations, the Agricultural Extension Service, and its advisory committees of farmers to the end that returning veterans may be safeguarded against unwise loans and against the purchase of farms at inflated prices or the purchase of uneconomic farm units, which would place the veterans at a great disadvantage and possibly bring ultimate financial disaster. Every effort should be made by these and all other interested agencies to furnish reliable information and sound advice to veterans interested in engaging in farming.

All public agricultural credit agencies lending money on farm real estate should use the Appraisal Division of the Federal Land Bank System. The services of this system should be made available to the Veterans' Administration at cost for any veteran desiring to buy a farm.

Returning veterans and agriculture: The following resolution regarding returning veterans and agriculture was adopted: As a national farm organization, we recognize the debt which all of us owe the members of the armed forces. Also, we appreciate our responsibility to promote the best interests of returning veterans.

A certain number of veterans can and should be taken into agriculture. It is our considered policy to do everything possible to make their operations a success. We commend the policies of establishing local advisory committees, and aggressively promote their development and use. They are the best means for enabling the serviceman with the desire to farm in that community to determine what his prospects are and to become properly located.

Attention is called to the fact that rural communities need many services outside those rendered by farmers. Servicemen who desire to live in rural communities should be helped to understand what these services are and how they may get into these fields. Where

training is necessary, they should be fully informed regarding training opportunities and how to secure them. There is relatively much more room for expansion in services, which mean real, useful employment, in other fields than in the actual production of agricultural commodities.

For a truly successful post-war economy, most of the expansion must of necessity be in the production of nonagricultural goods and services. The American Farm Bureau Federation recognizes and accepts its responsibility to work for that sort of a national economy which makes expansion probable. Here lies the real field for service to veterans.

Bonuses and special privileges can be only a temporary assistance to veterans in becoming adjusted to civilian life and in getting a start. They cannot substitute for real opportunity, which will inevitably depend upon being part of a successful community, where he can choose his own work, have a chance to be of real service, and prosper accordingly.

Surplus property: We passed the following resolution regarding surplus property: The American Farm Bureau Federation insists that in the disposition of all suitable surplus property the needs of all farmers and all rural areas be given paramount consideration by the Surplus Property Board.

The farmers and the farm economy can best be served if the property declared by our Government to be surplus is kept out of the hands of speculators. We, therefore, recommend that every precaution be taken and every safeguard effected which will insure the greatest return to our Government with the widest and most equitable distribution of surplus commodities to consumers at fair price.

We insist that such property disposal be made with due regard for the protection of free markets and competitive prices, and condemn uncontrolled dumping and the accompanying economic dislocations.

Because of the enormous governmental investment in war facilities and supplies which will become surpluses and the great interest the farmers of the Nation have in its disposal, the American Farm Bureau Federation insists that the statutory created Advisory Board to the Director of War Mobilization and Reconversion be permitted to function as representatives of the general public and their interest, as provided by law.

We commended Congress for its action in enacting legislation advocated by the American Farm Bureau Federation to safeguard the sale of surplus Government lands, and especially for its action in requiring that this land be offered to the former owners at the original purchase price, adjusted for damage or improvement.

International trade and international cooperation. Our international trade resolution is as follows: International trade is basic to the well-being of this Nation and of the world.

We must not repeat the mistakes made after World War I when the nations of the world resorted to extreme nationalism and isolationism to promote self-sufficiency and to secure selfish advantages through raising tariffs and trade barriers, through competitive manipulation of currencies and international exchange, through international cartels, and other restrictive trade practices. The present war will have been fought in vain if the nations of the world return to such nationalistic policies when this war ends.

During this war we have witnessed an enormous expansion of the productive capacity of this Nation. We know that abundant production can become a national blessing rather than a calamity. If we would live the fullness of life, we need just as abundant production in peace as in war. But in order to maintain this abundant production we must have outlets for it. When wartime needs end, this enormous productive capacity may produce surpluses that will wreck our economy unless we can find sufficient outlets in foreign markets to help sustain this volume of production. Our domestic outlet is the best market for most commodities produced in this Nation, and must be preserved on the basis of efficient abundant production; but international trade is essential if full production and full employment are to be obtained in this Nation during the post-war period.

We cannot sell our surpluses abroad unless we are willing to buy from other countries. Unless other nations have sufficient dollar exchange to pay for our goods, they cannot buy from us, even though our goods may be offered at competitive prices with those of other countries. Merely lending money is not a sound basis for permanent trade. Unless the barriers to trade are removed, such loans become merely gifts; and when this credit ends, trade stops and repudiation of debts may follow.

In order to facilitate international trade on a sound basis and thereby lay the foundation for an economy of abundance and economic security in our Nation and throughout the world, which are so essential to the maintenance of a lasting peace, we recommend:

1. That an international trade conference be called for the purpose of attempting to lower the trade barriers among all nations and to discourage the creation of additional trade barriers.

2. That the United States participate in international action on monetary matters and favor the adoption of monetary and credit policies—domestic and international—that will encourage and facilitate maximum production, distribution, and consumption of goods and services, on a fair exchange basis. A stabilized price level, both domestic and international, is essential not only to international trade, but also to the maintenance of a fair balance in domestic prices of raw materials with other prices.

3. That foreign and domestic barriers be gradually adjusted or removed so as to facilitate the maximum exchange of goods and services between nations, and between groups in our country, to the end that maximum employment and production may be achieved throughout the world.

4. That the trade agreement program be improved and expanded. We believe that much can be gained by including more than one nation in specific agreements.

5. That new and improved international commodity agreements for surplus agricultural products be developed among the various nations of the world; and to the extent practicable, these agreements should be coordinated closely. These agreements should not be confined to producer nations, but should also include the principal consumer nations.

6. That, if peace is to be maintained in the world, all nations be given the opportunity to obtain essential raw materials necessary to the development of a reasonable peace-time economy.

7. That, during the immediate period of post-war reconstruction, necessary exports for the purposes of rehabilitation be treated primarily as expenditures, provided the purpose is to effect real rehabilitation and to assist nations to help themselves and lay a sound foundation on which to build world trade.

8. That our Government adopt a positive program to develop world trade. However, it is realized that in the immediate post-war period, certain realistic approaches will have to be made to meet maladjustments. Pending the attainment of sound foreign-trade policies, our Government, if necessary in order to regain our fair share of the world market, should enable domestic producers to meet world prices through export subsidies; and ways and means should be sought to provide other nations with dollar exchange with which to buy our surpluses.

On international cooperation, we specifically recommend cooperation with other nations along the following lines:

1. A general international organization for maintaining world peace. The American Farm Bureau Federation favors the participation of the United States in a general international organization for maintaining world peace, in accordance with the broad principles contained in the plans developed at the Dumbarton Oaks conference.

The United States should accept its rightful share of the responsibility with the proper executive authority for the enforcement of the decisions of the Security Council, by military force, if necessary.

Before the final adoption of the plan by Congress, we recommend that further attention be given to clarifying the manner in which the Economic and Social Council would operate, particularly as it applies to international agricultural organizations and problems.

2. International cooperation on monetary programs. The American Farm Bureau Federation favors the participation of the United States in the proposed International Monetary Fund and the proposed International Bank for Reconstruction and Development, as outlined in the Bretton Woods monetary conference.

In adopting these new international institutions, it should be realized that they are not substitutes for sound domestic fiscal policies. Unless sound domestic and foreign trade policies are adopted by the nations of the world, no plan of international monetary stabilization or monetary cooperation will succeed.

The International Monetary Fund and the International Bank should not be used as relief agencies in the post-war period, but should be on a business basis, leaving relief grants to other agencies of government. In adopting this plan, it should be clearly understood that the United States will not provide funds to perpetuate uneconomic trade practices or unsound monetary policies through the operation of the stabilization fund. Foreign trade must be developed upon a basis of the exchange of goods and services among the nations of the world, and not upon the basis of extending credits.

These proposed international institutions should be operated in such a manner as to promote stability in the general level of prices within the various countries of the world.

Since the proposals by necessity leave wide discretionary powers to the administrators of the two institutions, the individuals chosen to operate these institutions must be high type men, representative of the various segments of our economy, experienced in international affairs, and free from political domination.

3. International food and agriculture organization. We favor the cooperation of the United States in the proposed International Food and Agriculture Organization. We urge that a conference between the appropriate authorities and leaders of farm organizations be held in the immediate future in order to clarify the functions and methods of operations of the proposed organization.

We deplore the manner in which the plans for this organization have been developed. The secrecy surrounding the Hot Springs international food conference was unwarranted, as has been the secrecy of much of the work of the interim commission which that conference created to develop detailed plans for the creation of an International Food and Agriculture Organization.

In the development of the proposed organization, proper recognition has not been given to the fact that agriculture is a basic industry and that the solution of agricultural problems should be the major function of the organization.

Therefore, we insist that the duly elected representatives of agricultural producers should be included in all future developments and in the administration of this proposed organization. We believe that the primary functions of the organization should be the collection of facts and research in the field of agricultural production and distribution. Action programs should not be undertaken without the specific approval of the nations involved.

It is understood that there are several special committees of the interim commission preparing reports on various phases of the proposed International Food and Agriculture Organization. These special reports should be made available to the general public prior to the presentation of the proposed constitution of the organization for congressional approval.

Proper plans should be developed for incorporation of the International Institute of Agriculture in the proposed International Food and Agriculture Organization prior to the approval of the proposed organization by Congress.

The work of the proposed International Food and Agriculture Organization should be coordinated with the work of the existing and other proposed international organizations.

Taxes, price control, and a monetary program. We developed a rather definite post-war tax program which will be presented to the Congress at the appropriate time. We are particularly interested that a tax program will be developed which does not unduly stifle business initiative and free enterprise.

Farmers realize the importance of controlling inflation. They remember the bitter experience following World War I, when the price of farms products dropped drastically. They well remember the long period of disparity between agricultural prices and production cost and how thousands of farmers lost their homes and life savings. We passed the following resolution covering inflation control and price control.

The American Farm Bureau Federation reaffirms its position in favor of a strong aggressive program to control inflation. As you gentlemen know, every time the O. P. A. bill has come up, we have always appeared in favor of that bill. As a matter of fact, we were the only national organization that went on record for it in the early days when it started. We said, "All right, we are willing to have

agriculture in there, but you have to have labor and industry in there. You have got to have it all across the board." We reiterate that any plan to control inflation must be equitably applied to industrial prices, farm commodity prices, and wages.

We favor the continuation of price ceilings on agricultural and other products when necessary and workable. We urge that the existing law be broadened so that price ceilings and floors for agricultural products will be announced for a specified period and far enough in advance to permit farmers to plan their operations accordingly, and should not be lowered during such period.

We insist further that all administrative agencies follow the intent and specific provisions of the laws passed by Congress to the end that faith in government be preserved.

We deplore the experiences of the past year in the marketing of certain agricultural commodities, and demand that support prices be enforced as rigidly as price ceilings. We heartily commend the War Food Administrator for his diligent efforts on behalf of agriculture, but deplore the delays in effectuating price regulations between the War Food Administration and the Office of Price Administration under the present system.

We recognize the value of high annual wage income of industrial workers to agriculture, but insist on the retention of the Little Steel formula at least for the duration of the emergency as essential to the prevention of wholesale inflation.

We commend Congress for the enactment of provisions in the Stabilization Extension Act to safeguard agriculture in the administration of price control, to clarify and improve the agricultural provisions, to liberalize the regulatory and court review provisions, and to prohibit consumer subsidies after June 30, 1945, except by special appropriation by Congress.

We reaffirm our unalterable opposition to subsidies in lieu of fair prices in the market place.

Enormous surpluses of farm produced commodities, with decreasing demand and terrific dearths of industrial commodities for which there will be unprecedented demands following the war, point definitely to a drop in farm commodity prices and enormous increases in the prices of things the farmers buy.

We urge the continuation and strengthening of the Commodity Credit Corporation as a constructive means of handling the surpluses and effecting price supports.

As a guaranty against run-away prices of those commodities which the farmers have to buy, we recommend that price controls be continued until there are sufficient amounts of goods available to effect balance between agricultural and industrial commodities.

Realizing the importance of a stabilized general price level to the price of farm products and the general welfare of the Nation, we passed the following resolution on monetary control and price stabilization—a broad resolution.

Agriculture is most seriously injured by a widely fluctuating price level. We have no doubt that a coordinated, well conceived, and well administered Federal monetary and fiscal program can do much to stabilize the general price level and to encourage satisfactory production and distribution.

Many of the major dislocations caused by the war are in this field. Failure to cope successfully with ensuing problems will impede expansion in the rest of the economy. The American Farm Bureau Federation will work to formulate and support measures designed to meet problems in this field.

Military training. In regard to military training, we recommended that a broad program leading toward physical fitness be incorporated in our high schools. The system of military training as provided in our land-grant colleges since their establishment has proved conclusively that American youth can carry on their education and still be prepared to assist in the defense of their country should the need arise.

We favored the continuation and expansion of the military training program as a part of our education system; and aggressively oppose the national program of compulsory military training now being publicly advocated, as leading inevitably into some form of militarism.

Gentlemen, I have tried to present to you some of the high lights of our newly adopted resolutions, which bear on the questions you requested me to discuss. Naturally, I did not go into all of them in detail. I am therefore submitting for your files a complete copy of the resolutions as approved by the voting delegates of the American Farm Bureau Federation at the twenty-sixth annual convention, December 14, 1944, here in Chicago.

I am also requesting permission to put into the record a statement which deals specifically with one commodity. It is a statement of the American Farm Bureau Federation pertaining to the cotton situation, which was presented in Washington on December 4, 1944, to the Subcommittee on Post-war Planning for Agriculture of the House Committee on Agriculture.

In addition to that, Mr. Chairman, I would like to have Mrs. Sewell, who administers the Associated Women's Group, make a supplemental statement on some phases of rural health and education, and so forth.

Thank you very much for giving me this opportunity of making this presentation. It is a pretty broad program, don't you think, Mr. Chairman?

The CHAIRMAN. I agree with you, Mr. O'Neal. I would like to say that you have presented a most excellent paper.

There are one or two things that I want to refer to. First, I would like to ask you a question in regard to the farm credit. Of course, I am sure you are familiar with the fact that a committee has been appointed in the House to make a study of all agricultural credits. Mr. Hope is a member of that committee and I am also. If the committee's work is continued, they are going into that subject in a thorough way and before we conclude our investigations, I am sure that we will want you and other representatives of agriculture to give us an extended statement on that very important question.

I also was glad to hear you say another thing. You stated that we must not let the veterans be imposed upon. If we sell the veteran a farm or give him the aid of going into agriculture as a means to earning a livelihood, we must see to it that he gets an economic unit that will support him and his family and that he is not imposed on by the land sharks and induced to buy land at inflated prices.

That is one of the things that must be guarded against or we will have a lot of badly disappointed veterans who will have to start life over in some other field.

Mr. O'NEAL. I might say, Mr. Chairman, right in this hotel the American Legion met here and the commander, who is Past Commander Atherton, the former head of the American Legion, asked me to come over and meet with his group. It was a big committee meeting of about 40 men and they were sitting in executive session discussing this very matter. They wanted to know our attitude, and I, of course, wanted to know their attitude.

I was greatly delighted at how sensible they were in their approach. There is no need for me taking your time on that subject. They had a bitter experience before and I was glad to see they were aware of that. So far as I can see in the laws passed by Congress, Congress seems to be pretty well trying to safeguard that also. We are also anxious to help in that direction.

You would be astounded to hear the reports of a number of our highly organized States of the work that is being done now by committees, farmers, businessmen, and so forth, out there in trying to safeguard that particular viewpoint. Even now, we are getting back a lot of our boys who are interested in agriculture.

The CHAIRMAN. We have had several witnesses here who have advocated that we must get away from the parity concept of income to our farmers—in other words, that in order to meet world competition after this war is over, we are going to have to produce our farm products at a cheaper price in order to compete in world markets. Do you disagree with that philosophy?

Mr. O'NEAL. I believe in equality. That is what we have always fought for and we have always stood for. After all I have said to industrial leaders, labor leaders, and financiers, you gentlemen don't understand parity. Parity is a fair exchange value. A bushel of wheat should have a purchasing power of the time and the money and the goods that you men produce. That is all we ask for. If you want to make it high, that is up to you, because you are the ones who makes it high. The farmer is not the man who makes it high.

The CHAIRMAN. Mr. O'Neal, it is your view that in order that the American farmer may consume these products that industry is going to produce at a high standard level of wages, that farmer likewise has to get a fair price and we say parity?

The American farmer is one of the greatest consumers of our Nation. We say that parity is a fair price.

Mr. O'NEAL. Leave that off and say "Fair exchange value."

The CHAIRMAN. Or he cannot consume those goods; is that right?

Mr. O'NEAL. That is right. After all, Congressman, the farmer spends 70 cents out of his dollar while the city man only spends 40 cents for industrial commodities. In other words, as I say in these resolutions, we have a broad field there of purchasing power. You are all thoroughly aware of that, because you have farms and you know what that means.

The CHAIRMAN. Are there any questions that the committee would like to ask? Do you have any questions, Mr. Colmer?

Mr. COLMER. I will defer any questions that I have to ask to the balance of the committee.

Mr. FISH. In the first place, Mr. O'Neal, I want to thank you for your exceedingly able and comprehensive report on the solution of the post-war farm problem. It is very clear and to the point.

However, there are some things that I would like to have you elaborate on a little more.

You merely say, "We reaffirm our unalterable opposition to subsidies in lieu of fair prices." Well, I come from a very large milk-producing district—perhaps one of the largest in America—Delaware County. The milk farmers, of course, are receiving substantial subsidies.

Now, you come out here and say that you reaffirm your unalterable opposition to subsidies. I agree that it is very fine to have fair prices, but I wonder what I should take home to those farmers in regard to that?

Mr. O'NEAL. I will be glad to reply to you.

Out of the 24 men who met to discuss this problem, there were a number from New York State and adjoining States who helped prepare these resolutions. As I said, they had plenty of time to discuss these various problems very fully.

We have always held that you have marketing agreements in that section that really can take care of your situation, where you recognize the increased cost of feed, and increased cost of labor. I approve of Mr. Dumond's theory, who is Mr. Dewey's commissioner of agriculture.

The Office of Price Administration is a later law, and there is a conflict between the Office of Price Administration and the original Marketing Agreement Act, and the matter is in the courts at the present time. By the way, Chester Bowles has gone through the motion of having an advisory committee set up consisting of the various national farm organizations to advise him on the administration of the O. P. A. as it affects farmers.

Now, what you should do in places like that is you should raise the ceiling on your prices. That would take care of you. All right, we will agree with you that a lot of people will say that will cause inflation, but I think that is what you should do.

Mr. FISH. Your answer is to raise the price ceiling on fluid milk?

Mr. O'NEAL. Raise the price ceiling and adjust the cost. Of course, the public does not realize, as it is brought out in this resolution, that the farmers are not responsible for the price that the consumers pay, because they only get 30 cents out of the dollar or 50 cents out of the dollar. Lay the blame on the other fellow, the distribution cost, etc. We have always said that.

Now, I realize this and I have stated it to congressional committees before. You will be in bad shape unless you do raise those ceilings, and I know of some dairy farmers who have gone bankrupt; and others who avoided bankruptcy, like Henry Morgenthau, who sold his dairy cows.

Mr. FISH. I see that you know my district pretty well.

Mr. O'NEAL. I was just up in New York—at Syracuse and Buffalo.

Mr. FISH. Your answer to my question then is that they have got to raise the prices and face the situation and the consumers will have to pay more?

Mr. O'NEAL. Yes.

Mr. FISH. In lieu of subsidies?

Mr. O'NEAL. Yes; it would be a minor thing. Let us illustrate that with two commodities:

Take the poultry business. We have always said, "Give the farmer a chance and he will produce, and the law of supply and demand will take care of that."

Look at hogs and poultry, and what happened in that production program? There was an enormous, overwhelming supply.

Now, I do not say to Chester Bowles this: Use the ceiling where it is necessary, but don't just make a flat rule all the way across. Do you see the point there?

I wish that you would review that law because the marketing agreement of 1937 in the days to come has to be considered much more than it has been in the past. That is particularly true with perishable crops, fruits, and vegetables, and things of that sort, where you have a regional and sectional problem to meet.

Mr. FISH. I thoroughly agree with you. Mr. Dumond is an extremely able man, and I believe that he suggested that.

Mr. O'NEAL. I told him to make a test of the law. I told him to make a test of the Marketing Agreement Act.

Mr. FISH. What is the name of that law?

Mr. O'NEAL. The Marketing Agreement Act of 1937. It is a part of the Agricultural Adjustment Act of 1937. Isn't that right?

Mr. HOPE. That is right.

Mr. FISH. Where would you get a test of that law?

Mr. O'NEAL. In court.

Mr. FISH. Would you go to court with it?

Mr. O'NEAL. That is right. I would go to court. This case is in court now, as I understand it.

Mr. FISH. There is nothing that the State legislature can do. That is what I really want to find out.

Mr. O'NEAL. I think so.

Mr. FISH. I wonder whether we can do anything.

Mr. O'NEAL. Those marketing agreements fit into the State laws to a certain extent. I am not a lawyer, although I studied law 50 years ago. There is a State function in the Marketing Agreement Act.

Mr. FISH. Dumond would know about that?

Mr. O'NEAL. Yes; that is right.

Mr. FISH. Now, there is another matter I would like to ask you about. You quoted here that—

Foreign and domestic barriers be gradually adjusted or removed so as to facilitate the maximum exchange of goods and services between nations, and between groups in our country, to the end that maximum employment and production may be achieved throughout the world.

Are you advocating a free trade?

Mr. O'NEAL. Not to that extreme. Of course, we as farmers have always said this: If you in labor and you in industry and you in finance will take all barriers down, just sweep it all out the door, the farmers will meet that situation and that will be all right. However, we realize that that is an impossible situation and cannot be done. But we do know, at least that adjustments can be made.

Mr. FISH. But you are not actually doing away with all barriers and having free trade?

Mr. O'NEAL. No; I mean the lowering of tariffs.

Mr. FISH. Adjusting, but not an out and out wiping of them out?

Mr. O'NEAL. No.

Mr. FISH. Not on wheat or anything else?

Mr. O'NEAL. No. We have a wheat agreement, you know, an agreement between nations, and I am glad to see some of them advocating the same thing with cotton. I frankly believe that our old Yankee trading philosophy that we had back yonder of the Jefferson and Hamilton combination, will work in this country. I think we can do that.

The CHAIRMAN. May I ask a question there? Do you think we ought to have an international conference on cotton like on wheat?

Mr. O'NEAL. That is an excellent idea. What is our big surplus crop? Our biggest surplus crops are cotton and wheat, as you know. Well, if we have a wheat agreement, it is between the big wheat-producing nations and it works fairly satisfactorily without destroying anything. I think Congressman Hope will agree with that. If it is working out properly, that will not destroy our price level. I think we can do the same thing with cotton.

The CHAIRMAN. And help solve this international trade problem by getting rid of our surplus commodities?

Mr. O'NEAL. Surely. As a matter of fact, as you note in there I have said this: I think they ought to broaden it out. I am a great admirer of Secretary Hull and he is a friend of mine and has been for 30 years. He is one of the ablest men I ever knew in my life and a very forthright fellow. He looks you in the eye. I have had many arguments with him on tariff. We had a lot of fun in one of the committees that you were on.

I am saying this: That trading is a practical thing and we should have the nations with the surpluses and the big nations trading. That is the way you really trade.

How do you trade in this country? How do we trade? We look into the eye of the other fellow, the one who wants to buy and the one who wants to sell, and we get around and trade. I am one of these fellows who believe that we should keep our merchant marine. We have spent the people's money and so let us sail the seas and do our trading.

I heard one of the finest speeches I ever heard out in Idaho Falls this summer given by a fellow by the name Maloney. He is an Irishman with determination and he made a speech. I do not know whether your political faith is the same as his or not. He told about the Monroe Doctrine and he said:

Let us extend that line. It goes down through South America, and after the war let us spread it all over. It goes to the South Pacific now and our boys are over there shedding their blood and spending our money, and so let us run it to China, if necessary, and run it around into Russia.

I believe he was secretary of the congressional committee meeting, and he flew around the world battle fronts with Chandler, Lodge, and others, to all of the ports.

However, I think we have got to do that, gentlemen, and that is all there is to it.

Mr. FISH. Don't you think we have got to try it? The question is a little bit out of our control, I believe, but I think it will depend on whether Soviet Russia controls Europe, and if so, they will control

the marketing there and they are going to make the laws themselves, and we will have to deal on that basis. That is something new.

I also want to ask you this question: In your reference to military training, you come out very forthrightly and oppose compulsory military training. Is that the general view among the farmers?

Mr. O'NEAL. It is among my group.

Mr. FISH. I am very open-minded and I would like to know a little more about it.

Mr. O'NEAL. I have observed a few things, and I might give you my observation.

George Marshall was at the Virginia Military Institute when I was at Washington-Lee. I have watched the progress of the war under his leadership. If you check the records you will see that the good mass of his officers, probably the majority, are men who were not trained at West Point, or who were not trained at Annapolis, but were trained at these State institutions.

Now, I think that is very effective. I am deathly afraid of forced military training. I think our boys will do as they did in the past. My youngest son is in the Army, and I recall 15 or 20 years ago how he took the training at his institution. I think it is well worth while for you gentlemen, the leaders of our Nation in legislative matters, to get that record and just to see how this has worked.

I know I was profoundly impressed when I was in Texas by the spirit of those fellows before we got into the war. They claim they have more aviators than any other part of the country, and they went and joined the English aviation before we got into the war. Those boys were being trained by the thousands down there in Texas and Oklahoma, and they have certainly made a swell record.

Mr. HOPE. I think Texas A. and M. College claims to have more officers in the Army than any other school in the country.

Mr. O'NEAL. That is right. I think they have more in the Army than any other State in the United States, especially among the aviators.

Mr. FISH. I am inclined to agree with you. I want to make sure. You are opposed to compulsory military training?

Mr. O'NEAL. That is right. Have it voluntary.

Mr. FISH. But you believe in the voluntary system, and you believe that would be adequate?

Mr. O'NEAL. Sure. Some of these people advocate these large camps. There is one in my State of Alabama, over at Anniston, that has been there for 30 or 40 years. I remember the R. O. T. C. boys by the thousands would go there voluntarily and spend a couple of months. There were big training camps, and they could keep them right up to date. You gentlemen are familiar with that.

Mr. FISH. You are also very strongly in favor of international cooperation. I think everybody is for that, but you go on and definitely favor the security of the Dumbarton Oaks proposal. Then you take a step further and you say the Executive should be given the power, without the consent of Congress, to use the armed forces. Have you really taken a strong stand on that—that is, your organization—or is that just a suggestion?

Mr. O'NEAL. I will say we considered it very thoroughly. When I studied law—John W. Davis, who ran for President in 1924, was my teacher—I read an opinion, and I was delighted to see this,

gentlemen, in the New York Times, where they had a leading editorial on international policies, the power of the President of the United States under international law. It was very impressive. It was by a committee of five men, five very distinguished lawyers—John W. Davis was chairman—and when you read that I think you will get away from a lot of worries that I have had concerning international law—that is, on the declaration of war. When I go to Portsmouth, N. H., I always salute John Paul Jones, who sailed the seas and whipped the Moors in north Africa. That was the intent of the law. We did the same when we went to Texas in the old days. I don't see any difficulty in that provision of it.

Mr. FISH. I just want to get your views. I am strongly in favor of international organization and world security, in spite of being charged with being an isolationist. I have been all in favor of internationalism to prevent future wars. It all depends on whether you get the other nations to agree.

Mr. O'NEAL. Your distinguished colleague, Congressman Wadsworth, is forthright on that subject.

Mr. FISH. But he is on the extreme of compulsory military service.

Mr. O'NEAL. I wouldn't agree with him on that.

Mr. FISH. I don't know. I want to find out.

Mr. HOPE. I want to ask one or two questions. On this matter of compulsory military service that you have just been discussing, would you care to say whether in your recent meeting the sentiment was pretty much all the way on that?

Mr. O'NEAL. Yes.

Mr. HOPE. Would this represent practically a unanimous agreement?

Mr. O'NEAL. There were about 5,000 farmers from 45 States here with their wives, and in a debate of the resolutions, as I said, after they were carefully prepared, which took about a week, they had open hearings—if you had been here we would have been delighted to have you there—there wasn't a single protest.

Mr. HOPE. So it is practically unanimous then so far as the group was concerned?

Mr. O'NEAL. Yes.

Mr. HOPE. There is one other point I would like to have you develop a little bit more, if you will. You state here, in quoting one of your resolutions, that you favored continuation of the present mandatory loan rates on basic commodities and the price supports provided for in the Steagall Act for the duration of the emergency. I assume, of course, that it is more a matter of appropriations than anything else. I do not think we will repeal the act. It is a matter of whether Congress will make the appropriations. Of course, I feel we cannot very well keep faith and not make the appropriations, unless we can find some better way of handling it. I have no suggestions as to that, but this committee, of course, is interested in a period of longer than the 2 years following the duration of the emergency. We are working on what we hope to recommend as a permanent program. I was wondering what your thought was in regard to after this 2-year period, whether we should continue mandatory price supports on these commodities, at something like the present level, or just what you thought ought to be the program.

Mr. O'NEAL. I think you have put your finger on a very vital thing. As a matter of fact, I told Marvin Jones—we have been good friends for years—that my organization would not hesitate at all to ask for the appropriations to carry out the promise of Congress that the producers of food under the war effort would be supported on their prices, it matters not what the amount was, where properly used. Certainly it is a mere bagatelle, compared to what has been done in the war effort in giving the big corporations money to build these additional plants, and all those various things. It is a very small item, as you know. But on the other hand, we feel the farmers have a great responsibility, and it is up to them to safeguard that. We have got to be very constructive, because if we build a bad house it will fall on us.

Now, the commodity loans on the basic commodities has been a very fine program. You know yourself, compared to R. F. C., it is just monkey business. It is just little stuff. There have been very few losses there over the years.

But on the support of prices—and I am very glad to see my convention was very serious about that—there are a lot of things we have to do ourselves to make it practical.

Mr. HOPE. I am thinking more, of course, about the period following the 2 years after the war, what your position is as to the continuation of that program after that time. I am assuming in good faith it will be carried out during the 2-year period, that we will have to maintain it, but after that time I just wondered if your convention had taken any position on it, or if you personally had any thoughts.

Mr. O'NEAL. I think our emphasis was on the reiteration of the necessity of the adjustment of production and expansion of markets. We realize perfectly that the burden of carrying the enormous surpluses by the Government is a very dangerous thing. It is a bad thing, and we want to avoid that, I am sure of that, all the way through. So we have got to think out carefully some sort of an adjustment. As I said and pointed out to the gentleman from New York, a marketing-agreement provision would in a great degree take care of that situation, where you would have some reasonable adjustments.

Mr. HOPE. It will take care of some of the perishable commodities, particularly, very effectively.

Mr. O'NEAL. That is the group I am more worried about than the others, because you know your wheat farmers, and cotton farmers, and tobacco farmers, are perfectly willing to adjust when your surpluses become burdensome.

Mr. HOPE. Of course, we have the legislation now on the statute books which calls for adjustments, which sets up the machinery for adjustments, but would you mind telling me your views on this thing? With reference to these other commodities that are covered by the Steagall Act we have, of course, no machinery for adjustment now. What is your thought? Do you think any program of that kind, if it should be continued, would have to have some provisions for adjusting production?

Mr. O'NEAL. Assuredly. I was greatly impressed when I was in the east, in Mr. Fish's area, to find that the poultry men there, as I understood it, did not want any ceiling price nor support price, but just to let the law of supply and demand take care of the situation. There is an indication of the views of one of the big surplus producers.

Mr. HOPE. I know some of them have talked to me about it.

Mr. O'NEAL. That is one approach to it. I believe that nearly all farmers are pretty well in agreement that they must adjust. Some of them say, "Just let nature its course and don't let's have any law." Others realize the danger—I think all of them do—of that support price problem.

The CHAIRMAN. May I ask a question there? Do you think we can afford to hazard agriculture to that program or policy of letting nature take its course on, we will say, basic commodities like cotton and wheat?

Mr. O'NEAL. Not unless everybody else agrees. Labor and finance. As I said, unless labor and industry and finance all tear the barriers down, no, we just can't do it. We tried it. We told them in the twenties, you know. "Now, just give us time." All this enormous surplus, the burning of wheat and the burning of corn, cheaper than coal, the bread lines increased; we told labor at the time, "All right, now, you keep your high hourly wages; limit your hours of work; food will accumulate; your bellies will get empty; and the bread lines will get bigger," and they did.

I met with a group of these leaders informally in executive session, and I don't hesitate to say out in the open that there is fine unity of purpose. The trouble is, just like the Presbyterians and the Baptists and the Catholics, when you get right down to going to heaven they all have a different route. That is our difficulty, how just specifically to work it out. There is no great difference with the groups. It is fine. We meet about every 2 months. I think it is a great thing. I think we ought to meet in public—have public meetings.

I told President Franklin D. Roosevelt in the early days of his administration, "You should do that. You should call in these folks," and his answer was, "How would I know who to call?" I said, "Don't call who you want to call, but you call the men whom the folks have called to represent groups. Let's sit around the table here; let's get Bill Green, Phil Murray, Mr. Patton in the Farmers Union, Mr. Goss of the grange, Johnston of the Chamber of Commerce, the National Manufacturers' Association, and all the other groups. Let's get all the national groups around the table."

The CHAIRMAN. This then is certain. You don't agree that in order to meet world trade in the future, in the post-war era, after the 2 years have expired, as provided in this Steagall Act, you don't believe the farmer ought to be compelled to take a price that is below parity for the crops that are consumed in this country?

Mr. O'NEAL. He wants to be on an equal basis with other groups, that is all he asks.

The CHAIRMAN. And we will have to handle the foreign trade in some other way, you think?

Mr. O'NEAL. I think the converse is wise, as I said to you. I was passing through Washington before you had your hearing. I talked to leading Republicans in the Senate and the leading Democrats in the Senate. They asked me the question, "What are we having the hearing for? We presently have laws on the statute books," and we have. Now, we have got, of course, a lot of laws which have been written which are not properly administered.

The CHAIRMAN. That is not the fault of Congress.

Mr. O'NEAL. That isn't your fault. We have to get that done right, and so have you. It is a mutual responsibility, to carry out the law.

The CHAIRMAN. That is right.

Mr. O'NEAL. But I want to say to you gentlemen, as I have said again and again, as I have said all over America, "Just look; we have 12 great broad basic laws that have been passed, that if administered right would safeguard the interests of the American farmer at no heavy cost to the American people." They are on the statute books.

The CHAIRMAN. I agree with you.

Mr. HOPE. You are in favor of the provision that is contained in the Surplus Property Act with reference to the disposal of surpluses abroad under which we are operating the program now?

Mr. O'NEAL. Sure.

Mr. HOPE. You expressed yourself at this cotton conference.

Mr. O'NEAL. Yes. I just want to say this: I was delighted to see the Congress adopt our policies which we recommended to this group of outside representatives of the general public to advise the Administrator, and I notice that Congress adopted that. Mr. Byrnes is the Administrator. I have a copy of the law right here that covers this reconversion program.

Mr. HOPE. Of course, the State Department is supposed to be opposed to that, and Mr. Clayton is supposed to be opposed to it.

Mr. O'NEAL. Well, I think Clayton is a very fine fellow. I do not agree with his free trade thing. I tell him he reminds me of my great grandfather. Free trade is marvelous, if everybody will do it. Fine. I will say this for him, though, he is a very good trader, as the record will show. He knows the foreign markets. He really does. That is something we Yankees—sometimes I call myself a southerner, but I am a Yankee when I talk about trade—we Yankees have got to use good sound trading methods; we are going to have to trade and not give stuff away.

Mr. HOPE. Doesn't it seem to you in the next few years, at least, a lot of international trade is going to be carried on, maybe not by governments, but through governmental agencies? We know that Russia will carry on its trade that way; we know that the British plan seems to be a good deal along that way; that probably the occupied countries and all the countries in central Europe are going to be so situated in respect to credits and foreign exchange that they will probably have to have very strict regulation of foreign trade. It seems to me whether we like it or not, probably most of our foreign trade will have to be carried on with some Government supervision.

Mr. O'NEAL. You are right.

Mr. HOPE. Or through governmental agencies, because you will be dealing with governments and government agencies, in other countries.

Mr. O'NEAL. You are right. I think you put your finger on a very important thing, and I say this: We ought to study a little better how England does her trade. She is pretty smart, you needn't fool yourself. It is the Government, all right, but wait a minute. It is the banks, it is the industries, it is organized labor. While it is done under the Government, every one of those agencies have a lot to say about formulation of policies. So I am saying, as I have said to the American bankers, and I have said to union labor and all the rest of them, "Now, listen! To be practical men, don't turn your thumbs down on

England." You have to take your hat off to her. We know she is in a desperate situation. She has been marvelous in centuries past, and she has been bled white several times, but she has come back due to the things you can put your finger on right there. In this country statesmen have not only to be diplomats and wear long-tail coats and black ties and drink plenty of liquor, they have got to be more than that. They have got to be men with brains.

I have no fear at all, if the administration and you gentlemen in Congress will demand it, that you can get around the table and do this thing, in spite of what Russia may do or what England may do. We have all the cards, if we just have sense enough to play them.

Mr. FISH. We have the goods, and we have to have sense enough to meet the situation.

Mr. O'NEAL. We have more than that. We have them in our own hands. When you play a game, solitaire isn't worth anything. You have to have a real poker game and just play it all around.

Mr. VOORHIS. Mr. O'Neal, in the matter of exportable surpluses of our commodities, do you include as part of your program export subsidies on those?

Mr. O'NEAL. Yes.

Mr. VOORHIS. That is what I understood.

Mr. O'NEAL. That is right.

Mr. VOORHIS. Then I want to ask, "Who is going to pay the subsidy, Mr. O'Neal?"

Mr. O'NEAL. The taxpayer. Let me ask the chairman and you a question right there, if I may. Who pays the tariff?

Mr. VOORHIS. The people; the country ultimately.

I would like to comment that I do not agree with what somebody said, that if a law is not properly administered, it is not the fault of Congress. I think it is partly Congress' fault. I think it is one of Congress' responsibilities to see that the laws Congress passes are properly administered.

Mr. O'NEAL. I certainly agree with you. I have seen speeches by you and others, and I would like to see Congress really reorganize itself. This isn't officially for my organization, but I think you ought to have better salaries. I know the agony you go through up there, and you ought to reorganize yourself and be familiar with all these administrative agencies that you have set up. This country is a very large country, and the people are looking to you 435 men.

Mr. VOORHIS. I want to ask about one question—I want to ask about a million, but I will ask one more only.

Mr. COLMER. Before we leave that, Mr. Voorhis, I don't like to leave this thing about enactment matters, but how is Congress going to administer and enforce the laws? I wish you had included somebody else in there besides them.

Mr. VOORHIS. I didn't say it was all Congress' fault. I said it was partly Congress' fault.

Mr. COLMER. After all, the executive agencies have more to do with the administration of the laws than Congress.

Mr. VOORHIS. Of course, but if an executive agency fails to carry out a law in accordance with the intent of Congress, it is up to Congress to check that executive agency and do it by the amendment of the law, if necessary.

Mr. COLMER. Then, agreeing with the distinguished farm leader and with you about the woes of Congressmen, when are Members of Congress going to find time to check the administration of laws, with all the other duties that they have to perform? I think that the administration is squarely in the lap of the executive branch and not Congress, but I say that academically.

Mr. VOORHIS. I would like to answer your last statement, but I won't. I think the committees of Congress could do it with regard to laws we have passed.

The CHAIRMAN. May I suggest we have set up a committee to do that very thing?

Mr. O'NEAL. I understand you have, and I congratulate you. In other words, what Congressman Voorhis means, under the Constitution—you are all constitutional lawyers—you are right. On the other hand, parts of Government are interlocking and mixed up a little bit. I am glad you have a committee to check on those matters.

Mr. VOORHIS. Now, I tried to divide your statement up into major points and minor points, Mr. O'Neal, and I got down to 12 on major points, and I have 28 minor points, and I am only going to ask you a question on one of them. This is maybe a little bit of a mean question, but I wonder whether, in connection with the stability of price levels—I agree with you completely that we should attempt to get international monetary stability, and I agree with you even more that you cannot have international monetary stability unless you have domestic monetary stability—do you believe that it is possible for Congress to pass a law governing the creation of money, including credit money, to pursue a tax policy on the other side of the question which would render inflation and deflation virtually impossible, or that could control them very substantially?

Mr. O'NEAL. I think you can go a long way, as you know, even before you came to Congress, way back yonder in the twenties. I remember when I heard Fisher and Commons and other economists, and I remember well the World Economic Conference in London and what was said about it. I tell you, that is something that Congress has neglected.

Mr. VOORHIS. I agree with you.

Mr. O'NEAL. You agree on that. In other words, great progress has been made along that line, as I see it.

Mr. VOORHIS. I have a personal interest, because I have had a bill there for 8 years to try to do that.

May I ask you this one thing, and then I will quit: Do you believe that the better job the Government does of maintaining a stability of price level and a true honesty in the value of its dollar from decade to decade—that the better it does that job the less necessary it becomes for a government to control the intimate economic activities of the people? In other words, the more completely it does a good job of controlling the monetary and fiscal end, the less necessary other types of control become?

Mr. O'NEAL. Of course, you can illustrate that easily. Just the common little illustration of Brazil's inflated currency. Brazil produces cotton. We have a tariff, a quota, and so on, and Brazil takes our market. If you are going to have that sort of policy, it is going to be awfully hard to have world trade. In other words, you have got to have—and I have sat down with these fellows right in this hotel; I sat

down with President Chase, of the Chase National Bank; and the president of the American National Bank, Burgess; and Brown here, of the big First National Bank, and we discussed this thing, and they asked me frankly about it, and I said: "I will tell you; you talk about tariffs, talk about world trade, and all of these things; this monetary thing, to a great degree, is the key to all of it, both domestically and foreign." There isn't any question about it. I don't think anybody denies it. When we set up the Federal Reserve System the background was pretty good. It needs improving, but it is a pretty good fiscal agency. Is there any reason why that agency could not be extended further? It is here. I do not see why it couldn't begin to do these things.

MR. MURDOCK. Mr. O'Neal, I think you have given us a very thought-provoking presentation here, and I find myself agreeing with it in very large measure, especially with the part regarding compulsory military training. I notice, beginning on page 14 of your paper, that you specify eight points to justify your attitude toward foreign trade. Earlier you have given a lesser number of points to show how domestic agriculture and industry can be balanced. You leave some ground uncovered, I think, in this first presentation.

I want to know how we are going to be protected from the crushing surpluses which we have had and will be having again as soon as the world is less hungry. You favor support prices. Where is the money coming from for that? As now, from the Public Treasury, or would it be better if we had some excise tax so that the consumer, the whole consuming public, would pay for the financial support of the price program?

MR. O'NEAL. As I said, Mr. Murdock, I think the farmers are perfectly willing to adjust so that there will not be any great burden. I think I have got that here in my folder. I remember the Commodity Credit Corporation made a report, I think it was last year, when we were carrying on the Steagall provisions then to a limited degree, and the commodity loans losses at this time were not very great. As a matter of fact, the greatest surplus we had was cotton; and I had a letter from the commissioner of agriculture in Georgia saying the Government had made a hundred million dollars in handling cotton and it ought to be given back to the farmer. My reply was: "No; the Government is still carrying 2,000,000,000 bales of cotton and has protected the domestic price level to a great degree, and that money should go to the people."

As a matter of fact, it has not in the past cost us so much money. Farmers now realize the danger of it, and most of them are willing to adjust. But they want to see developed, as far as possible, an outlet for these surpluses in foreign markets—that is, certain groups of them—and try to keep full production, because, after all, peacetime volume is where the money comes from.

MR. MURDOCK. I agree with you fully that full production is our goal, and stimulating the proper foreign outlet is the safety valve.

MR. O'NEAL. That is right.

MR. COLMER. I wonder if Mr. Arthur has any questions?

MR. ARTHUR. Mr. O'Neal, you mentioned that your organization has supported the selling of cotton in the world market at below domestic prices.

MR. O'NEAL. That is right.

MR. ARTHUR. Do you distinguish in your mind between that activity, Government-conducted, and the cartel activities, or the kind of activities associated with Russia and Government buying and selling in world markets?

MR. O'NEAL. Yes. That cartel thing is very debatable. I think cartels ought to be controlled. We really have a cartel with this wheat agreement, you know, selling surplus wheat. I think, properly safeguarded, it might work.

MR. ARTHUR. You are in favor of properly safeguarded cartels?

MR. O'NEAL. Yes. In other words, just to be a practical man, I see no reason why we could not have a round-table discussion with India, Egypt, China, cotton-producing Brazil, and South America, and discuss those surpluses. You can call it a cartel the way it is.

THE CHAIRMAN. You wouldn't say a Government agreement is a cartel. What we think of as a cartel is what some business concerns, international businesses, get into; but I do not think we ought to brand an international agreement like our wheat agreement as a cartel.

MR. COLMER. It depends on whose ox is being gored.

MR. O'NEAL. Yes. In other words, it is a business transaction, and it depends on whether it is done by Government or by private industry.

THE CHAIRMAN. Government agreements are made in the interests of the general public and for all the people, and the business cartel is made for a limited special group. There is a difference there.

MR. O'NEAL. Wait a minute, now. Just check the record. I am like Al Smith. I remember when the steel industry was developed in this country. Do you remember that?

THE CHAIRMAN. I am not quite as old as some of you fellows.

MR. O'NEAL. I saw the brains of man, maybe Government helping a little bit, build in my old State of Alabama the only big industry we had in the South, an enormous steel industry. I saw around Lake Michigan these great ore beds in Michigan developed. Well, the Government was here. You were still in Congress, or your predecessors were, and you could check them. My conclusion is, and I am saying to big businessmen now: "Don't make it so that the Government has to step in here. You fellows developed that great industry, go and develop more." I think that businessmen ought to be consulted, ought to participate in this thing. Check them when they do wrong. That is all right.

MR. HOPE. Mr. Chairman, I would like to make an observation just on that point. It will just take a minute. When we had the cotton hearings down in Washington, I asked Mr. Wheeler, of the Department of Agriculture, that very question: What is the difference between a Government agreement, like the wheat agreement, and a cartel? Well, he thought a Government agreement in itself was somewhat different than a private agreement. He made that distinction, but I am not sure that is a very valid distinction. But he did make a further distinction, in that he said these Government agreements which we hope to make would include consumers as well as producers, which I think is——

MR. O'NEAL. That is protection.

MR. HOPE (continuing). Which is protection, and is considerably different so far as the objectives are concerned.

If you take the consumer into consideration you have a different objective than the mere agreement of producers to control prices.

The CHAIRMAN. That is exactly the point I was trying to make. In other words, it represents all the people.

Mr. O'NEAL. The point that I am driving at is this: Let's get big business concerns into these agreements. They know the game. Do you men think that General Motors or General Electric are worrying about these things? They have a world market for everything. They know how to sell. Now, let's get around the table with the steel people, and all that, and let's get around the table with the consumer and producer that is trained—not a politician—a world diplomat, that is trained in rock-bottom business methods, that is trained in business methods in trade.

The CHAIRMAN. In other words, we had some of these cartels in Germany that were dealing with things vital to our war effort that embarrassed us.

Mr. O'NEAL. And it fooled us. You still had Congress. In other words, you didn't check. I remember when the potash business was developed. As I understand, the German interests did it and it is now owned by the Surplus Property, or whatever it is. But they developed it, after all. Now, if we had checked it, you see what I mean.

The CHAIRMAN. That is right.

Mr. ARTHUR. I have one other question. You mentioned that farmers recognize the need for adjustment. I take it what you have in mind is that there may be prices which would tend to price the farmer out of a part of his market, and the farmers are willing to accede to some adjustments that would recognize the trade situation.

Mr. O'NEAL. That is right.

Mr. ARTHUR. That, I take from your previous statement, does not mean adjustment of the Steagall prices, the support prices for 2 years after the war; is that correct?

Mr. O'NEAL. That is correct.

Mr. ARTHUR. It would be after the Steagall period you would feel that these price levels should be reexamined and a new basis considered, but that the program might be carried on after that period on somewhat the present basis so far as our support prices are concerned.

Mr. O'NEAL. It might be with a broadening out, as I say. The farmers will adjust, so you don't have these enormous surpluses. The farmers will agree with that. They don't want to carry these enormous surpluses.

Mr. ARTHUR. One other question, in order to help us in developing the material that will be in this record. I understand at your convention in Chicago last week you had presented before you the views of this land-grant college committee through Mr. Noble Clark, who was our witness Saturday. Can you give us, very briefly, any points of violent disagreement that your members presented after hearing his views? They are not exactly in line with the program presented by the Farm Bureau Federation. I think it would be profitable to see that sharpened.

Mr. O'NEAL. There is quite a disagreement shown in the brief.

Mr. ARTHUR. I am thinking of the personal reactions.

Mr. O'NEAL. We took contrary proceedings in that group, as shown in this brief. I can't go into the detail. I would have to go all over it again. But we were in sharp disagreement with some of the things,

although I think it is a wonderful statement. But we were frankly in great disagreement with parts of it.

The CHAIRMAN. Mr. O'Neal, are you going to file that brief with the record?

Mr. O'NEAL. Yes, sir. I will give you the brief and then I would like to have the privilege of giving you the resolutions, and then you can see what it says in more detail. If you want to read it, I will give you the speech I made at the farmers' convention. It pleased me greatly, as it would you. It is one of the times I can just speak what I have on my mind, and I did, and it tickled me to death that the farmers agreed with me.

The CHAIRMAN. We would be glad to have it.

Mr. HOPE. Mr. Chairman, as I understand, we have a 12 o'clock luncheon. Mrs. Sewell is here, and I do not want to confine Mrs. Sewell to a few minutes. We have not had any other women or any other farm groups before us.

The CHAIRMAN. Would you rather come back after lunch?

Mrs. SEWELL. I would rather not.

Mr. HOPE. My only thought, in fairness to Mrs. Sewell, is that we ought to give her more time than we have now. She represents a great organization and has been in this sort of thing for many, many years. I would like her to have all the time she needs.

Mr. COLMER. Mr. Chairman, may I make a suggestion? There were a few observations I wanted to make and a few questions I wanted to ask Mr. O'Neal. I wonder if it would be agreeable if it could not be arranged that Mr. O'Neal's time was such that he could meet back with us for a few minutes after lunch, and then we would hear Mrs. Sewell, too. I agree with Mr. Hope. I would like to hear her at more length.

The CHAIRMAN. I suggest you ask Mr. O'Neal your questions now, and then we will have Mrs. Sewell.

Mr. COLMER. Just briefly, there is just one question that might take a little time. I understand you are not in agreement—Mr. Arthur touched on that—with Mr. Noble Clark and Dr. Black. You did not hear Dr. Black's testimony. The trend of it was what we needed was a floor in a long-range agricultural program for agricultural products. All of these support prices could go out of the window. I think that is a fair statement. You don't agree with that?

Mr. O'NEAL. No.

Mr. COLMER. Very well. I shall not take the time to ask any more.

Mr. O'NEAL. I would just like to say this: I was impressed with Mr. Clark's statement, but I do not think, frankly, he took into consideration this factor—it is a tragedy to me that in my 69 years the farmer most of the time has really not been recognized as a part of our basic economy. Now, you have been good to us, and all that, but the American people as a whole do not really understand that. His paper was mostly that the prosperity of American agriculture depended primarily on the workers having wages and industry being fully employed. I agree with hanging together or we hang separately. I tried to bring that out, but the thing that distresses me is that the public does not really realize what I brought out in my paper and in my address. I gave definite figures showing here the place of American agriculture in our economic life. In other words, he does not believe in controlling surpluses.

Mr. COLMER. I am inclined to be in accord with you, sir. I also got the impression that you thought we had a very good legislative program now, and if it were properly administered we would be in pretty good shape.

Mr. O'NEAL. Yes, that is, if the farmers do their part—let me add that. You Congressmen have done your part. A lot of the farmers are worried about the very thing you and Mr. Hope and the other gentlemen asked questions about. They are worried about these enormous subsidies.

The CHAIRMAN. I want to get you right on this very point. As the law is now written, of course, the farmers by vote can control the surplus of wheat and cotton.

Mr. O'NEAL. Corn, tobacco, rice, peanuts.

The CHAIRMAN. Do you think we ought to keep that law and when the danger point is reached on the surplus question, there ought to be some restriction then on production to meet that situation?

Mr. O'NEAL. That is what my farmers said in this resolution.

The CHAIRMAN. In other words, we should never abandon or lose the machinery that we now have to control production when surpluses get clear out of bounds?

Mr. O'NEAL. Let's put it this way: Where would we have been when this war came on if we had not had these surpluses? Where would we have been? The cost to the Government, as the record will show, has been very minor, as you know, if you will look at the commodity credit account. As I say, we are willing, yes, to adjust.

You take the tobacco fellows right now, they are just scared. Of course, the processor wants to take the lid off. I remember when tobacco was 8 cents. It has not penalized the American people.

I would like to ask Mr. Hope, don't you think the wheat farmers are afraid of the surplus?

Mr. HOPE. Very definitely so.

Mr. COLMER. Now, a general question: This committee here this morning is, you know, a subcommittee of the full Post-War Economic Policy and Planning Committee of the House. This Committee, if you have honored us by reading our fourth report, came pretty well to the conclusion that the best method of the solution of the post-war problems, agriculture, industry, and all other segments of our economy, was to maintain a high level of production with companion high level of wages and national income ranging from one hundred thirty to one hundred fifty billions of dollars. Do you agree with that philosophy generally?

Mr. O'NEAL. I certainly do, with this opinion, that it can't be done; that is a pipe dream, unless some of these things that I have definitely, and my farmers have, put their finger on, are done. It just can't be done.

Mr. COLMER. I agree with you, sir; that agriculture is a necessarily component part of that program and a very essential part of it. I agree with you. But I was speaking of the over-all picture.

Mr. O'NEAL. Sure.

Mr. COLMER. Now, I wish I had a little time to discuss another matter.

The CHAIRMAN. I don't want to leave that. Let me ask this: you can't have industry protected and labor protected and then put farm commodities down where it will be on a competitive basis with an unprotected world market, can you?

Mr. O'NEAL. No.

Mr. COLMER. Certainly not.

Mr. O'NEAL. I would like to take the time to give you some figures. I will read 6 points. Here is 1, just 1, and you know there is not 1 in 10,000 people who knows that; that in 1940 those working on farms, including farm families and hired labor, numbered 10,580,000 souls compared with 11,288,000 employed in all manufacturing. People in America do not know that. They just don't understand it.

I remember Senator George Norris, and men like that in the past—and I have spent 25 years in the Congress working for farmers—who said to me, "Ed, we have struggled, we have struggled and we have struggled, and we have accomplished a whole lot and all that, but, you know maybe the farmer has lost the trick. He ought to know how to strike. Maybe he should learn how to strike."

Well, you know a farmer isn't going to do it. He is not going to do it. That is not in his make-up.

Now, we all hang together or we hang separately. That is what I tell union labor. All we want of that pound of cotton is 20 cents for parity, and you have half a pound in that shirt you have got on, that is all you have got. Is there anything wrong for you to give the producer 10 cents for the shirt that covers your nakedness? Is anything wrong for you to pay the producer for wheat?

I remember one time Mr. Hope and Jim Carey and I were on a radio program up at Des Moines. Well, now, what does the farmer get out of a bushel of wheat, with bread 10 and 12 cents a loaf? The difficulty is the consumer doesn't understand and labor doesn't understand.

Mr. VOORHIS. Doesn't the farmer get about a cent and a half out of such a loaf?

Mr. O'NEAL. Just about. Now, I am glad that you set up in your committee—and John Flannagan has asked me about it, with other farm leaders—to study this distribution cost problem.

But getting back, we have got to do this, and in order to do it, Congressman Colmer, we have got to produce. We have got to trade and all segments must have purchasing power. That is all there is to it, and it is the most stupendous thing.

I take off my hat to industry. I take off my hat to organized labor. A half-fool can get in the assembly line at Ford Motor Co. Just a sap can get on there.

Mr. VOORHIS. That is right. I did.

Mr. O'NEAL. I did, too. I did. Now, the farmer, he has progressed along these production lines. He is efficient, too. He has no assembly line. You talk about little business now, there are 6,000,000 farms. The only really little business you have right now in America is the American farmer, and it is a sound business, and you have to protect it.

Mr. COLMER. Mr. O'Neal, just to demonstrate that, I am in thorough accord with what you say and I am finding no fault with that. I am going to jump quickly to the \$64 question and quit with that.

You and I were reared in adjoining States. We know that the chief problem down there in Alabama and Mississippi is the small cotton farmer.

I have been quite a bit disturbed in these hearings by hearing some of these economists talk about liquidating these little fellows.

I think when you liquidate the small farmer you are going to liquidate, or at least injure, the society of this country, because they are a very, very stable people and contribute substantially to the stability of the country.

Now, I know you have given a lot of thought to that. Possibly it is not fair to ask that question, but I could not let this opportunity go from a witness such as you. Could you give us just a brief statement on that?

Mr. O'NEAL. I have never changed. I told Jim Carey the other day in a conference: "Well, you want annual wages. Everybody is for that. It would pay you to go with us down South and study the sharecropper and tenant system." Jim held up his hands, both of them, this way, and surrendered.

I said: "Do you really know the philosophy? It has been abused, sure, just as business practices, labor practices, are all abused, but I am saying to you if you give that farmer, that tenant farmer a price and let him have a volume he is rewarded according to the labor he puts out." What other industry in American does the same thing? Why do capital and labor meet? So a man is rewarded for his toil on the basis that you have acknowledged over hundreds of years in my section and your section of the South. It is sound and fair, and I will challenge anybody—I will show the records of those tenant farmers and those sharecroppers, and it would make some of you fellows sitting up there look a little cheap, the income they make when they get the price.

There is a principle involved there. So I say that we will always have the tenant farmer, we will always have the sharecropper. We will always have the little farmer. To illustrate the point: I was down in North Carolina. I went to the meeting of the Grange at Winston-Salem and then went over to Raleigh. I declare, it just filled my heart with joy to hear the story of a man that had 28 acres of land. Under the price he was getting for peanuts, and he was getting for tobacco and he was getting for cotton, 28 acres of land is not too small a unit in certain areas of the United States. Naturally, when we come up here, we have to have 160 acres, but in your State and mine 70 or 80 acres is a unit. We have to have it. That is all right. But we are always going to have that little farmer. If we don't, we are going to go naked and we are going to starve. That is my philosophy.

One of my old friends wrote me and said that they always call me a Tory farmer. The enemy call me a Tory farmer. Well, I know but one man in the United States that has more long-time tenants, and that is Harper Sibley down in that part of the country. Sons and grandsons of old slaves and white men that I have known, and worked with for generations, my tenants, and I will tell you their net income is bigger than you fellows and anybody sitting along here who gets in the neighborhood of \$10,000 from Congress. That is true when you give them a price. They don't have to have many acres of land. Now, down in your State they make a bale an acre.

Mr. MURDOCK. In Arizona, nearly two.

Mr. O'NEAL. Yes. All right. There is \$200 an acre. They handle 8 to 10 acres of land, and the seeds in addition to that. The same thing with tobacco, seven or eight hundred pounds of tobacco an acre, and they have up to 40 to 50.

The CHAIRMAN. Mr. O'Neal, we will have to go to lunch now.

Mr. O'NEAL. I hope that Swift & Co. will give you plenty to eat. I will leave this material with you, or send it to you.

Mr. HOPE. I want mine now.

The CHAIRMAN. I would like to have mine now, and I want to say for the record that we appreciate this wonderful discussion that you have given us today.

We will adjourn until 2 o'clock.

(A recess was taken until 2 p. m.)

AFTER RECESS

(Whereupon, the committee reconvened, pursuant to recess.)

The CHAIRMAN. The committee will resume.

We are honored to have with us today Mrs. Sewell, from whom we would be very pleased to hear at this time.

TESTIMONY OF MRS. CHARLES W. SEWELL, OTTERBEIN, IND., ADMINISTRATIVE DIRECTOR, ASSOCIATED WOMEN OF THE AMERICAN FARM BUREAU FEDERATION

The CHAIRMAN. Mrs. Sewell, will you give the reporter your name, your affiliations, and the subject that you wish to discuss today?

Mrs. SEWELL. I am Mrs. Charles W. Sewell, Otterbein, Ind. I am administrative director of the Associated Women of the American Farm Bureau Federation, an organization of 880,000 farm women.

Mr. Chairman, if I had gone on before noon, I would not have taken very long, but I have had time while you were visiting to think up several more things that I want to tell you. So with your indulgence I would like to start out.

The CHAIRMAN. Mrs. Sewell, I know that my friends, Mr. Colmer and Mr. Hope, will be especially interested in knowing that you have more time to give us, so we will proceed to hear from you at this time.

Mrs. SEWELL. Thank you. I will try not to take too long.

To start out with, I think the fact I have been granted this privilege marks a high spot for farm women. We have been accustomed to stay home and take care of the children and doing the usual duties of the farm, but we have not been found in public places or making public speeches very long.

A number of years ago, when the noted philosopher, George Russell, better known as AE, was in this country, I chanced to hear him make an address at a banquet at which Glenn Frank was presiding. I shall never forget Mr. Frank's discussion of how Mr. Russell spoke to him when he was introduced to him. He said, "May I inquire if your interest in agriculture is passionate or purely professional?"

Mine is passionate. I am interested in agriculture and the problems of the farm home and farm women, because I am a farm woman and, since Mr. Sewell's death 11 years ago, I have been carrying on my own farm in partnership with my son.

The Associated Women of the American Farm Bureau Federation is an affiliate of the American Farm Bureau Federation, made up of the membership on behalf of the wives and members of the farm families, associated also with about 50,000 other farm women in home-demonstration councils and organizations in a number of our States.

I think the reason we wanted to make this appearance while you are discussing post-war planning for agriculture might be found very comprehensively in some figures in the 1940 census report. We read there that 89 percent of the farm homes today have no bathtubs, 85 percent have no electric refrigeration, 82 percent have no running water—it runs, but you run after it—69 percent have no electric light, and 40 percent have no radios.

There, I think, gentlemen, you have a big American market, ready-made.

The CHAIRMAN. What about telephones?

Mrs. SEWELL. I do not have that figure, but it is one that needs to be investigated.

Now, I should like to read you some of the resolutions which the ladies have prepared and which are not incorporated in those which President O'Neal read to you:

While our United Nations are winning the war, women on the home front must hold fast to the faith of our fathers, cherish the ideals of our democracy, and strive for higher spiritual, intellectual, and physical values to cope with the emergencies beyond the present crisis. In the days and years to come, our democratic institutions which have guaranteed our liberties will be faced with critical ordeals as never before. Farm women must assume their big share of responsibility in the protection and perpetuation of these historic institutions.

The American home is the foundation of our faith and ideals and must be preserved at any cost. It is the institution for which our boys and girls are fighting and dying. Upon the parents in the home rests the responsibility of preserving the traditions that have made America great. This world conflict has brought about many new problems in family relationships, management, and income.

Parental apathy is proving to be the most fertile ground for the delinquency of youth. Too often we have thought juvenile delinquency as a separate and distinct problem when in reality it is actually the result of adult delinquency.

The home is still the basic unit of society and it is in the home where we inculcate the fundamental ideals of character and the customs and traditions of American life. In the period of readjustment we must do everything in our power to preserve and protect the inherent values of the home and family. The future world depends upon the high ideals of Christian homes.

We appeal to farm women within our respective communities to develop practical and effective services in befriending and counseling of youth.

On education, we have this to say:

Fulfillment of our American ideals will depend to a great degree upon a high standard of public schools.

Thirty-four percent of the farm population but only 23 percent of the urban population are under the age of 16 years. Many rural children are penalized by the following disadvantages: Inadequate school facilities, in many instances shortened or interrupted school terms; insufficient school transportation, and frequently lack of coordination in the provision of same by governing bodies and inadequate and inequitable support.

Because of the mobility of our population, the local taxing unit is no longer solely responsible for the health and education of the children living within that unit.

We favor reasonable Federal grants-in-aid, to supplement State funds to be allocated in proportion to State needs, dispensed by State boards with adequate agricultural representation and entirely independent of Federal jurisdiction.

We favor the maximum amount of local guidance and initiative consistent with operating efficiency and sound program of education.

On health, I should like to read a resolution which we passed last year, which we say we reaffirm, and I think you will understand this one:

We favor an intensive attack on the problems of better medical care for all groups, particularly in rural areas. In general, we favor action on this problem

by the voluntary organization of cooperative health and hospital associations, which have already proved their value.

In 21 of our Farm Bureau States, Mr. Chairman, we have a cooperative agreement with the Blue Cross or similar plan of hospital insurance on behalf of our Farm Bureau membership.

Mr. VOORHIS. May I interrupt, Mrs. Sewell?

Mrs. SEWELL. Certainly.

Mr. VOORHIS. Does that cover all of the Farm Bureau membership in those 21 States?

Mrs. SEWELL. Yes.

Mr. VOORHIS. It does?

Mrs. SEWELL. If they choose to apply for it.

Mr. VOORHIS. That is what I mean.

Mrs. SEWELL. It is voluntary.

Mr. VOORHIS. Each individual family on its own motion has to take advantage of it?

Mrs. SEWELL. Has to take advantage of it; that is right. And in Ohio and Indiana we have surgical benefits added to the hospital care and conducted through their own life-insurance companies.

Now, this is what they say this year:

We reaffirm our long-time position on the health problems of rural America.

We recommend full cooperation with established units, with emphasis on clinics, dental, hospital, surgical, and medical care, immunization and other preventive measures.

We also lend our support to the Federal program for the control of venereal disease.

The CHAIRMAN. Pardon me, before we pass from that very interesting question. Do you work in connection with the Farm Security Administration?

Mrs. SEWELL. No.

The CHAIRMAN. A program with the same objective?

Mrs. SEWELL. In some of our States we have worked in cooperation with that, but this does not refer to that at all. We are thinking, rather, of voluntary, rather than anything of a compulsory nature.

The CHAIRMAN. I see. Thank you.

Mrs. SEWELL. Continuing under "Health":

To meet the problem of maternal and child care, we favor the continuation of the present plan of administering such services.

To the extent Federal assistance is needed it should be limited to financial grants, without Federal control, to the States on the basis of need, with local and State governments responsible for performing this function.

The CHAIRMAN. Do you think it is possible for us to rely upon our States to do that very important job for its citizens rather than ask the Federal Government to come in and make a contribution?

Mrs. SEWELL. I think the program has to be an integrated one, Mr. Chairman. I think we have got to look after the income of the farm family. If they are granted a parity of income and equal opportunity, I believe they can take care of their own needs at a much lesser cost than can be done through the Federal Government.

The CHAIRMAN. In other words, you think that program should be carried on by the States if the people are in financial condition to take care of it?

Mrs. SEWELL. Yes.

The CHAIRMAN. And you agree that if the farmer gets a fair price for his commodity he will be able to do those things?

Mrs. SEWELL. I fully believe that. On nutrition:

Since nutrition is an important part of personal well-being and national welfare, we believe a well-rounded national nutrition program should be developed for attaining better health for the whole population.

The need for measures to expand consumption, such as the school-lunch program, is made more urgent by the prospect of food surpluses. Dire need for food in the face of food surpluses is not good for the future peace of the world.

We believe the best course of action is to combine measures for raising income with educational programs for improving nutrition.

We recommend the development of a national nutrition program. We believe that any such program for improving national health should make use of existing agencies in its educational program, but should serve to integrate their various activities.

On citizenship:

The Associated Women have made notable progress in programs of citizenship. This year for the first time women were included in the delegations from the American Farm Bureau Federation to the platform committees of the two major political parties. In our member States women took definite action to encourage the voting of farm women.

We believe our obligation of citizenship does not end here. We should be fully informed on matters of proposed legislation and its probable impact on rural home and community life.

We appreciate our freedoms and right of self-government which can be retained as our forefathers acquired them by diligent effort of every citizen.

We urge that rural women study not only their own local legislation, but State and National as well.

We recommend the continuance of study groups and legislative forums, where the now exist, and the organization of such units, in other areas, in order that we may be prepared to express our convictions at the proper time and place.

Now, on military training, President O'Neal read you the resolution adopted the American Farm Bureau Federation. I don't know whether he knew or not, because he is very busy, but the women wrote this resolution first and passed it, and then the men adopted the first two paragraphs and added the last one which was a little stronger. There is a passage in that that I should like to call to the attention of the Congressmen present, and I believe it is found in this statement:

The relative merits and disadvantages of such procedure should be carefully studied and freely discussed throughout the Nation.

Oftentimes we jump to conclusions and do things very quickly. If it won't bear study and discussion in various parts of the country then probably it is not the best thing for us to have. So that is our resolution on military training.

On peace:

Today, the nations of the world are in closer contact, by communication and transportation, than the States in our Nation were a few years ago. The hope of the Allied Nations for peace after military victory depends upon an acknowledgment of mutual interdependence and a willingness to cooperate one with the other.

Women pay a great price for the waging of war. They give their husbands, brothers, sons, and daughters. Their homes are endangered or entirely destroyed. The welfare of the family and everything women hold dear is threatened. But out of the suffering and hardship women around the world inspired by the same ideals will be able to do much toward solving the problems which inevitably result from war.

We must not repeat the mistakes of a quarter of a century ago. From the experiences gained through united effort to win the war we must, with broader and more sympathetic understanding, win the peace.

We believe that the American Farm Bureau Federation and the Associated Women should use every rightful influence to see that farm men and farm women be represented at the peace conference.

These are the resolutions, and if there are any questions I shall be glad to try to answer them.

The CHAIRMAN. Well, Mrs. Sewell, you have made a very interesting and helpful statement and this committee appreciates your presence here in giving us the benefit of your thinking on these very important subjects. I don't know, maybe these gentlemen may have a few questions to ask you.

Mrs. SEWELL. I would be glad to answer them, if I could.

Mr. VOORHIS. I would like to go back and just ask you as to some figures you gave. Did you say 85 percent of the farm homes have no bathtubs, and 85 percent of them have no refrigeration?

Mrs. SEWELL. Eighty-nine percent, Mr. Congressman, have no bathtubs, and 85 percent no electric refrigeration, 82 no running water, 69 no electric lights, and 40 percent no radios. I do not have the figure on telephones, which Mr. Zimmerman asked for.

The CHAIRMAN. I would like to ask this question, Mrs. Sewell: Did you ladies adopt a resolution on the importance of extending rural electrification to these—

Mrs. SEWELL. No; because that was taken care of in the resolution of the American Farm Bureau Federation. We have, of course, asked that that be done in former years, and reaffirmed our stand on that in some of the others. These figures bear that out, that of course there must be an extension.

The CHAIRMAN. I understand that Senator Hill of Alabama has introduced a bill which has for its purpose the placing of a telephone on the same line of wire, that is made possible through some new scientific discovery, that will enable every farmer on rural electrification lines to have a telephone.

Mrs. SEWELL. I am very much interested in that, because in my own community the telephone line has almost been rendered inadequate because of the electric line. It has made it almost impossible to hear over it, because of some method of installation which will have to be rectified, and I might say that I wish Senator Hill a great deal of success in that undertaking.

The CHAIRMAN. I want to say further that Congress has in the last few days of this session passed a very comprehensive bill for post-war development which will spend more money for farm-to-market roads than ever before in the history of our country.

Mrs. SEWELL. I am quite sure that the farm women will be very much interested in that program.

The CHAIRMAN. So when we get these farm-to-market roads and rural electrification extended to the remote sections of our country, and a telephone in every home where we have electricity, rural America is going to become a very happy place in which to live.

Mrs. SEWELL. It would not be a bad place. The roads have a very profound bearing on hospitalization and schools.

The CHAIRMAN. And on mail, too.

Mrs. SEWELL. Yes, and on mail.

The CHAIRMAN. When you folks in the country—I was reared there, too—when we get those hard roads and electricity, telephone, and the daily mail, we are going to be just about as well off as people living right here in the Loop in Chicago.

Mrs. SEWELL. We will not need to apologize to our grandsons for leaving them a farm.

Mr. COLMER. Would it be a fair deduction from the latter part of your statement to say that if the price of farm commodities might be kept up in the post-war era these people could afford the bathtubs and so forth that you just mentioned and that it ought to fit hand in glove with our whole economy, stepping up our whole economy?

Mrs. SEWELL. I think I said before you came in that there was an American market with a challenge to industry and labor to produce or manufacture and install and service all of that right there within the farm, but we cannot buy it unless the farm prices are commensurate with the rest of the cost.

Mr. COLMER. Well, if the farmer has the means of purchasing these articles, he would be inclined to do it; would he not?

Mrs. SEWELL. Absolutely. If he was not, his wife would be.

Mr. COLMER. All of which recalls that when agriculture is prosperous all other segments of the economy are prosperous?

Mrs. SEWELL. I think so. That is the way I feel about it.

The CHAIRMAN. I would like to supplement that by saying that the farmers as yet are not enjoying half the things that they are entitled to have, and really need.

Mrs. SEWELL. That is right. They have not got half the things they really need, your entire standard of living.

Mr. COLMER. I think you will find this group of Members of Congress in accord with your views. We are all for the farmer.

Mrs. SEWELL. Thank you kindly.

Mr. COLMER. We all come from farm districts.

Mrs. SEWELL. I appreciate this very much. Is there anyone else who has anything to ask? I do not want to take a minute longer than you want to give me.

The CHAIRMAN. We will give you all the time you would like to talk to us. We appreciate it.

Mrs. SEWELL. May I tell you what my definition of parity is? I think I have a story that might fit in here and I can tell it very quickly.

In the reader that I used as a young girl there was a picture of a man who was probably a kinsman of my husband. His name was Sewell. John Sewell was the mint master in the early days of the colony, and part of his pay was gold coins each day that he got when the coinage was made. When his daughter, who was rather heavy, was being married, he brought a great scale in and stood Betsy on one side and balanced her weight with gold coins on the other.

My husband used to say that that was probably the reason the Sewell men usually picked out plump wives from then on.

You see there, the things you buy and the things you have to sell are in a balance, and that is what I think we mean by parity. Thank you.

The CHAIRMAN. Thank you very much.

Mr. ARTHUR. Mr. Chairman?

The CHAIRMAN. Mr. Arthur.

Mr. ARTHUR. Is it proper at this time to report for the record on a couple of witnesses who have sent us a message that they would not be able to attend the hearing?

The CHAIRMAN. If you will read them, why, it will be in order at this time, and we will be glad to have it in the record.

Mr. ARTHUR. We had called Mr. Anderson Pace, who is chairman of the Illinois Post-war Commission. Mr. Pace was sent to keep an appointment at the hospital which he said he could not change. He hopes he will be back with us tomorrow morning, and we will hear him at that time.

The CHAIRMAN. Very well.

STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Mr. ARTHUR. The other is a wire from Mr. Russell Smith, legislative secretary of the National Farmers Union.

His wire from Washington reads as follows:

Sorry that illness prevents my attendance as scheduled.

Then it goes on to say:

We would greatly appreciate it if you can either read to the committee, or have inserted in the record of the hearing, the following statement of principles that we regard as governing in consideration of post-war agricultural legislation.

I believe the first paragraph is a statement of purpose.

To make secure prosperous family-type farming the predominant pattern of American agriculture.

Second, to assure to the Nation an abundant supply of the food and fiber it needs.

To preserve American soil as a permanent national resource.

Now, the program which follows has 11 points:

First, every national farm program must be shaped to promote the security of the family farm through the principle of greatest benefit to those whose need is greatest.

Second, the programs of individual Government agencies must reach the individual farm as a single program through the use of a single negotiated voluntary agreement between the farmer and his Government.

Third, democratic control of national farm programs in farm communities must be assured through elective farmer committees with full power to ratify agreements between farmer and Government.

Fourth, parity of citizenship for farmers with city people must be achieved through works and services programs for rural areas that will provide schools, health facilities, roads, housing, libraries, electricity, and the benefits of technology for farm home and farm plant, on a basis of equality with urban areas.

Fifth, a new parity price formula must be adopted that will provide a minimum wage and maximum hour standard for agriculture and that will provide an agricultural income adequate for the maintenance of such a standard.

Sixth, a large-scale Government land-purchase program must make more family farms available through resale to working farm families at a price low enough to enable them to earn a living.

Seventh, soil conservation must be extended by making it possible for every farm family to use good conservation practices.

Eighth, the national interest in agriculture must be safeguarded through the establishment of national production goals, announcement of prices ahead of planting, continued levels of production, and continuation of barriers to inflation.

Ninth, a carefully guided program of subsidies must assure farmers a decent return for their labor, and consumers a minimum adequate diet from a nutritional standpoint.

Tenth, Federal-aid funds must be withheld in those States that sanction use of such funds and personnel to promote the interests of any private organization.

Eleventh, the United States must share in international agreements that will assure orderly and expanding world trade.

The telegram is signed by Russell Smith, legislative secretary, National Farmers Union.

The CHAIRMAN. Now, Mr. Arthur, we regret that Mr. Smith was not able to appear before our committee in person and give a more extended statement. We hope that we will have the benefit of his testimony at a later date.

Mr. ARTHUR. Thank you.

The CHAIRMAN. The next witness that we will hear is Mr. G. N. Winder, president of the National Wool Growers Association, who comes from Colorado, I believe; is that right?

Mr. WINDER. That is correct, sir.

The CHAIRMAN. And we will be glad to hear from Mr. Winder at this time.

TESTIMONY OF G. N. WINDER, PRESIDENT, NATIONAL WOOL GROWERS ASSOCIATION

Mr. WINDER. Mr. Chairman and gentlemen of the committee, upon receipt of the telegram inviting us to appear here, I proceeded to draft a short statement.

The CHAIRMAN. Would you prefer to read that statement without interruption?

Mr. WINDER. It does not matter. Interruptions do not bother me at all.

The CHAIRMAN. All right.

Mr. WINDER. I proceeded to draw up a short statement covering the outline as set forth in Congressman Colmer's wire. However, Mr. Wilson, who is chairman of our legislative committee, would like to have an opportunity to present a statement in regard to the wool situation now and future, after I get through.

The CHAIRMAN. Very well.

Mr. WINDER. Post-war economic policies for the sheep industry of the United States are dependent upon an affirmative answer to the following questions: Is it necessary and desirable to maintain a domestic sheep industry? Assuming that the answer is yes, the stability of income of this industry, therefore, hinges on productive employment of a majority of the citizenry, thereby stabilizing to a degree the demand for the products of the industry, which in turn creates sufficient production to take care of this demand. A high rate of employment is essential to the determination of all policies which your committee has requested action upon.

Men engaged in the sheep industry are continually improving the quality of the products for sale. They are doing a fine job in the production field and will continue to improve the quality of their herds. Production in the sheep industry, of course, depends upon the utilization of natural resources, the value of which varies from year to year, but which resources are continuous when properly utilized. Of course, there is a variation in the amount of production of these products, which is derived from the natural resources; and it is necessary that proper practices of conservation and maintenance of these lands be continued. This policy has been established and is being improved all the time.

One of the major problems of this agricultural industry is to improve distribution of the products. A subcommittee of the House Agricultural Committee has been set up and is working on a part-time

basis to investigate the marketing of our products. Until these findings are before us, we hesitate to announce what policies should be adopted in the post-war period. We are sure, however, that with better distribution and better merchandising methods, that greater stability of income will result.

Now, under the heading of "Stability of income":

The sheep industry is a high-cost industry when compared with the industry in foreign countries. However, it has cost the Government very little money and has been of great help at the present time in supplying the extreme need for meat and fiber during the present war period. The predicament with which the industry is now faced has been created by many factors beyond the control of the sheep producer. Therefore, it is absolutely essential that our Government develop policies which will protect the industry during this period. It is not meant by this that further controls are needed, but that policies be adopted which will allow future production of lamb and wool in this country.

A good example of what may be expected in the future relative to the income from products of the industry is shown by what happened to the so-called Government shearling program. When our armed forces needed pelts of a certain type in order to provide warm clothing, the announcement and the request was made for growers to increase the production of these pelts as rapidly as possible. This the industry did. When the demands for this product were no longer needed by our armed forces, an announcement was made that the Government would no longer need the shearlings. Immediately the price for shearlings dropped materially and at the present time our shearling pelts are selling at a price 50 percent below that paid by the Government.

This same principle will hold true——

The CHAIRMAN. Pardon me just a moment. I do not know that I am familiar with that term "shearling." Will you describe it, please?

Mr. WINDER. Those are pelts from lambs that have been shorn about 6 weeks before the pelt is removed and they were used at the beginning of the war for aviators' uniforms and jackets.

The CHAIRMAN. I see. Proceed.

Mr. WINDER. This same principle will hold true for the other products of the industry, if and when consumers are unable to purchase the products. Therefore, as stated before, the variations in production and in demand hinge on the high rate of employment and the relationship of the agricultural industry with that of all other industries in the productive field in the United States.

The next heading is "The sheep industry on a self-sustaining basis:"

In normal times the sheep industry can and has maintained its operations on a self-sustaining basis without Government regulation as we know it today, provided that the industry's products are protected from low-cost producing countries with a materially lower standard of living. Here, again, we are assuming that the answer is that there should be a sheep industry in the United States. There must be a price relationship between the commodities produced in this country and those imported into this country.

There is, of course, definite need to study and analyze the supply and demand situation of these various products. It seems quite natural that there would be a lag between the supply and demand and that the price peaks and valleys cannot be entirely eliminated, but it is

impossible to minimize these high and low periods by proper protection measures which could be established for an industry such as ours.

The next heading is "Higher levels of consumption and nutrition."

Some years ago an organization was created by the livestock and meat industry known as the National Livestock and Meat Board. This board was set up to promote the use of meat and to carry on research regarding the nutritive value of meat. This organization is financed by donations from livestock producers and meat packers and the policies are determined by a board of directors representing all branches of the industry. This organization has rendered invaluable service to the Army and Navy services of supply during this war period.

Mr. Chairman, the National Livestock and Meat Board has carried on an extensive campaign with the Army and with the Navy in perfecting better methods of cutting and preparing the meats in messes and they are just now completing that program.

Some consideration might be given to the idea of the Government giving some financial support to this organization to enlarge and expand its activities.

More recently an organization has been created known as the American Wool Council, which is designed to function for wool very similarly as the National Livestock and Meat Board does for meat. If wool is to maintain its rightful place among fabrics a great deal of consumer education must be done and it was for this that the American Wool Council was created and financed by wool growers and aided to some extent by contributions from other branches of the industry. Some thought should be given to the Government participating in this undertaking also. Just recently the Australian Government levied a substantial tax on all wool grown in Australia for promotion work and in addition the Australian Government contributes an amount equal to that raised by the tax. A considerable part of this money will be spent in the United States to promote the use of Australian wool here.

The next heading—

The CHAIRMAN. Will you pardon me, here? Is that organization something like the National Cotton Council of America that is supported by the producers and processors and spinners and all different persons interested in the cotton industry?

Mr. WINDER. This American Wool Council you are speaking of?

The CHAIRMAN. Yes.

Mr. WINDER. We hope that it will be supported by all parts of the industry. Up to date, the growers have financed it almost entirely, but this year a good many of the packers are contributing materially to the program and we hope that the dealers and the wool manufacturers can be brought in also.

The fact of the matter is that I think they are more vitally concerned than the producers are in a program of that kind. I might say that all the time we are running up against weird advertisements in regard to synthetic fabrics and fibers. It is my suggestion that it would be a proper function for the Government to set up a research laboratory and a testing laboratory to protect the producers of the natural fibers and to protect the consumers, especially against these weird advertisements that you see all the time about comparing it with the natural fibers.

The CHAIRMAN. Well, don't you think that industry itself might set up a research division like the Cotton Council has done to find new uses for the cotton?

Mr. WINDER. It is supposed to do that with this American Wool Council. My idea is that there should be an impartial source for making these tests.

What I was getting at was that in order to have an unbiased agency to make proper tests so that these advertisements would not go unchallenged. You could have them tested in private laboratories. However, anyone can challenge the validity of those tests that are made.

Mr. MURDOCK. Is there nothing of that sort done by the Bureau of Standards now?

Mr. WINDER. Very little.

Now, there will appear to be some repetition in this next paragraph, but I wanted to make it plain. That is relating to the "Relationship between our foreign trade policy and domestic agricultural policies."

Before going into this matter it is necessary to determine whether policies should be designed to encourage or discourage the production of sheep in this country. For several good reasons we feel that a thrifty sheep industry must be maintained.

It has been proved during this war that there is no suitable substitute for wool to clothe fighting men. When Japan threatened to close the sea lanes from Australia and New Zealand and the German submarines were preying on our ships to and from South America, it was fortunate that we had as healthy a sheep industry in this country as we did have.

It is necessary to maintain a sheep industry in this country because there are communities and even counties in some of our Western States where the entire economy and existence is dependent upon the sheep industry. In some Western States the sheep industry ranks right at the top so far as cash income is concerned. Also the sheep on the western ranges consume and make use of a natural resource which otherwise would be a total waste.

Mr. MURDOCK. Pardon me, before you leave that last item; isn't it true that in many of the Rocky Mountain States 90 percent of the entire area is fit for grazing only?

Mr. WINDER. Yes, sir.

Mr. MURDOCK. And much of that is used and fit only for the grazing of sheep?

Mr. WINDER. Yes, sir. In my own county 48 percent of the land is Federal range and practically all of the balance of agriculture in that county is dependent upon sheep grazing on those ranges, so in my county the entire economy of the whole county is dependent upon the sheep industry.

Mr. MURDOCK. A witness pointed out this morning that there were about as many millions of people employed in agriculture as in industry, the total number, a fact that is not known to the American people, he said.

I think another fact not known to the American people generally is the enormous proportion of agricultural income that is derived from livestock, and a large part of that is from sheep.

Mr. WINDER. Especially in our Western States, Congressman, it has been found that meat is an essential part of a healthy diet and

certainly we do not want to become dependent upon some other nation for meat and wool both of which contribute so much to the health of our Nation.

Assuming that the premise is correct that a thrifty sheep industry should be maintained and conceding that the cost of production is a great deal higher in the United States than in other sheep-producing countries, this higher cost is caused chiefly from the demands of a much higher standard of living here than elsewhere in the world.

The CHAIRMAN. Now, tell me this: why is the cost of production higher in our country than, we will say, in Australia?

Mr. WINDER. Well, the sheep in Australia are run on very low value lands. The fact of the matter is they are grant lands from the Commonwealth Government. They have very small taxes to pay and their labor charge is nil as compared with ours, and that is the largest cost of our production in this country today, our labor cost.

Mr. MURDOCK. I think in my State there is a State law that requires two herders with every band of sheep.

The CHAIRMAN. Do you mean regardless of size?

Mr. MURDOCK. How?

The CHAIRMAN. Do you mean they have two herders with every band of sheep regardless of size?

Mr. MURDOCK. Two must be in charge so that one is a companion to the other in those remote sections.

Mr. WINDER. So that something will not happen to a man and he will be out there for a week or 10 days alone.

The CHAIRMAN. Do you have any minimum-size herd—

Mr. WINDER. That is up to the individual.

The CHAIRMAN. We will say that a man has 100 sheep, do you mean to say that he would have to have 2 men to tend them?

Mr. WINDER. I do not think he would have them on the range if he had only 100.

Mr. MURDOCK. May I add, in a good many western communities, especially in my own State, the sheep are brought down from the mountains in the wintertime and ranged on alfalfa, which adds to their cost, because they are taken off the natural range.

Mr. WINDER. That is right.

Mr. VOORHIS. I should think what Mr. Murdock just mentioned would make a lot of difference between the Australian cost and ours.

Mr. WINDER. Yes; that is a big item; our feed item is large.

Mr. VOORHIS. But I cannot understand why Australian labor costs should be so low. I have always understood that wages in Australia were comparatively high.

Mr. WINDER. Well, I think that a good many of the sheep in Australia are running on pastures, fenced, probably where it does not take much labor.

Mr. VOORHIS. I see.

Mr. WINDER. And they are run on grant lands mostly.

Mr. VOORHIS. I don't know anything about it, but I just wondered about that.

Mr. WINDER. And the same thing applies in Argentina.

Mr. VOORHIS. That I can see.

Mr. WINDER. A sheepherder down there will probably get two or three pesos a month against a man getting \$150 to \$175 a month here.

Mr. VOORHIS. I can understand that, but in Australia I should not think the same thing would be true.

Mr. WINDER. I do not think to as great an extent there, but there is a difference.

The CHAIRMAN. Well, now, have you any figures to show what percentage of the sheep of our country are produced out in the West on the ranges, that is, the broad expanses, as compared with the number produced in the Midwest in areas which include almost all of the United States where there are small numbers of sheep and they are grazed on farm land and fenced in, and they do not need any man to go with them?

Mr. WINDER. About 75 percent of the total sheep population is in the thirteen Western States. That includes Texas as the thirteenth Western State. About 35,000,000, that was the figure. There has been considerable liquidation in the last 2 years. We do not have the figures up to date.

Mr. COLMER. I am interested, too, in that cost you referred to. I understood you to say that about 48 percent of the sheep in some portions of the country out there graze on Federal lands.

Mr. WINDER. Not all Federal land. It is all grazing land. A good portion of it is Government-owned ground.

Mr. COLMER. Well, do you have——

Mr. WINDER. That is not free grazing, Congressman.

Mr. COLMER. I know, there is a nominal fee paid to the Government for that; yes. I was familiar with that. But do you have figures on the cost of labor in Australia, as compared with here?

Mr. WINDER. No; I do not have up-to-date figures on Australian labor costs.

Mr. COLMER. I was under the impression that they drew fairly high wages out there and were fairly well paid for their labor.

Mr. WINDER. I do not think they compare anywhere near with our scale of wages in this country. We can get those figures for you if you would like them.

Mr. COLMER. What is the average wage scale for these herders you are speaking of?

Mr. WINDER. \$150 a month, and keep.

Mr. ARTHUR. May I interrupt——

Mr. VOORHIS. Just one second, please.

Mr. ARTHUR. Very well.

Mr. VOORHIS. How does that compare with the pay before the war? Was it about the same?

Mr. WINDER. No; it is about twice.

Mr. VOORHIS. Twice what it was before the war?

Mr. WINDER. That is right.

Mr. VOORHIS. Now, one other unrelated question. I am worried about your 13 Western States. What is the thirteenth one—Oklahoma?

Mr. WINDER. No; South Dakota. I should have said western range States, perhaps, Congressman.

Mr. VOORHIS. Yes.

Mr. WINDER. Then assuming that these two things——

The CHAIRMAN. One further question. Do you consider the range territory as being west of the 100th meridian? Does it come east of that?

Mr. VOORHIS. It does in Texas and South Dakota, but not in Kansas and some of those other States.

Mr. WINDER. But most of your sheep population of Texas is in the western part of Texas.

The CHAIRMAN. Most of it is west of the 100th meridian?

Mr. WINDER. I would think so. Perhaps my geography is a little vague. I cannot picture that 100th meridian.

Mr. VOORHIS. The 100th meridian bisects Kansas, does it not?

Mr. WINDER. I think so.

The CHAIRMAN. It is the beginning of the arid section.

Mr. VOORHIS. It is the beginning of those expanses you were talking about.

The CHAIRMAN. Yes; that is what I had in mind, exactly.

Mr. WINDER. Then assuming these two things, it becomes necessary to design our foreign-trade policies so that our desire to build up an industrial foreign trade does not condemn our agriculture to extinction. We feel that it is possible to build up our foreign trade and at the same time protect and encourage the development of the necessary agricultural enterprises. When trade agreements are made with other countries, there is danger that agriculture will be traded down the river so that it will become necessary to inaugurate a system of subsidies and programs designed to curtail production. We must not lose sight of the fact that we have here the greatest market in the world today and our policies must be designed to prevent this country from becoming a dumping ground for the products from other countries which compete with commodities produced here at home. It has been suggested that a system of quotas be set up, liberal enough to encourage foreign trade and yet strict enough to protect our American markets for American products so that our high standard of living can be maintained rather than lowered to the point where we can compete with other lower-standard-of-living countries.

Mr. VOORHIS. Now, may I be a little mean at that point?

Mr. WINDER. Yes, sir.

Mr. VOORHIS. I want you to tell us what it means to have a policy liberal enough to encourage foreign trade but restrictive enough so that you do not disturb domestic industry or cause those industries to operate, as I take your meaning, below the American standard of return. How are you going to do both those things at once?

Mr. WINDER. I am speaking chiefly, Congressman, from the viewpoint of a sheep producer.

Mr. VOORHIS. I know.

Mr. WINDER. And I can see where a system of quotas could very well protect the wool grower, the producer of wool in this country, and also the manufacturer of wool and fabrics in this country.

Mr. VOORHIS. That is what I am trying to get at. Go on and explain a little bit more.

Mr. WINDER. In normal times, for instance, we are producing approximately half of the wool that we would consume normally; that is, the average consumption before the war, probably about one-third of our wartime consumption. We are not producing in this country sufficient for our use and to make up the difference we must import wool from some foreign country or we must import finished products, one or the other, to make up the difference between consumption and production.

The CHAIRMAN. If we were to import the finished fabrics, our mills would be idle?

Mr. WINDER. That is right.

The CHAIRMAN. Let us talk about importing wool.

Mr. WINDER. All right. If we normally consume 600,000,000 pounds a year and we produce 300,000,000 pounds a year—these are just approximate figures—we will say 350,000,000 pounds of wool, there is a difference to be made up there of around 250,000,000 pounds.

If the quota system works correctly, as I conceive it might in this particular instance—it may not apply so well to some other products—then we could ask South America or Australia, or whomever you care to make trade agreements with, for the difference between our consumption and our production.

Mr. VOORHIS. Would you have a tariff connected with those quotas?

Mr. WINDER. I do not think we will ever get away from our tariffs. Of course, they can be gotten around so much easier than quotas can, though.

Mr. VOORHIS. Yes. In other words, what you are suggesting is that in view of the fact that we do not produce normally as much wool as we need domestically, that the imports should be handled on a controlled quota basis?

Mr. WINDER. That is right. You would still have to maintain a tariff there to equalize the cost of the finished article from the foreign wools and the domestic wools.

Mr. VOORHIS. Well, now, suppose we applied that same principle a little more broadly. Your statement there in your paper applied primarily to your own products, rather than to a general——

Mr. WINDER. That is what I was thinking about.

Mr. VOORHIS. I see your point.

The CHAIRMAN. Now, who establishes that quota? Is that done by reciprocal trade agreements?

Mr. WINDER. It is not done. That is merely a suggestion.

Mr. VOORHIS. It is not being done.

The CHAIRMAN. I am asking, if you should do it, would you do it by what you would call reciprocal trade agreements?

Mr. WINDER. I guess it would be reciprocal. I don't know. It might not have to be reciprocal. You might have an agreement with Australia to take some of their wool, and you might have an agreement with Great Britain to take some—or with some other colony of the United Kingdom—to take some other product.

Mr. COLMER. What you are talking about is extension of the good-neighbor policy?

Mr. WINDER. I would not say it was an extension, Congressman, I would say it was a restriction of the good-neighbor policy.

The CHAIRMAN. I thought the good-neighbor policy was where we would mutually trade with each other to each other's advantage.

Mr. WINDER. Yes.

The CHAIRMAN. You do not want to upset that, do you?

Mr. WINDER. Let me cite you an example. We made an agreement with Mexico to reduce the duty on sheep and lambs from \$3 a head to \$1.50.

This fall there were a great many lambs came from Canada, guaranteed to dress certain quality. They were able to sell here on our

market for perhaps \$2 to \$2.50 a hundred less than lambs produced here of the same quality.

Mr. VOORHIS. That is under the most-favored-nations clause?

Mr. WINDER. That is under the most-favored-nations clause of the Reciprocal Trade Agreement Act.

We lowered the duty, I think, 50 percent on certain manufactured articles from Great Britain, and I think on those articles, during the first year of the war, our imports increased 500 percent, if I am not mistaken on that. Is that right?

Mr. WILSON. I do not remember the percentage, but it was an enormous increase.

Mr. WINDER. It was an enormous increase, right at the time when England was busily engaged in fighting a war in Europe. They were sending manufactured woolen goods into this country at a reduced duty.

Mr. MURDOCK. Mr. Chairman, I would like to emphasize for the record the difficulty that we westerners are up against, and that is this:

The Western States are raw material producing States, and we are always the best market for the eastern part of our country, for their industrial output. We are a little bit fearful of the good-neighbor policy, and yet we have little voice in the councils of the nations. The good-neighbor policy should be mutually beneficial to the entire Nation, the agricultural element and the industrial element.

Mr. VOORHIS. But by so doing, we run great risk of limiting the productivity of the raw-material States, and that is not only true with regard to wool and cotton, but it is true with regard to cattle and mineral wealth. It puts us in a predicament, because our local interests seem to clash with national interests.

Mr. WINDER. That is the very thing I was trying to bring out, Congressman, in my statement here.

The CHAIRMAN. Isn't it true, when we started to write the last tariff act and revise the tariff, as we used to do occasionally, that each industry in every section had its peculiar problem. When you got through with it, you had a high protective tariff on everything and that ultimately resulted in barrier tariffs being erected in other countries and had a lot to do with our internal trouble here; did it not?

Mr. WINDER. I don't quite agree to the full extent that that was to blame for all our troubles, Congressman. I don't know, if we took all our tariff barriers down, I am wondering if the other nations would not still keep up some of their tariffs and quotas. I don't believe we are ever going to be able to get away from tariffs. They are necessary to adjust the differences, as I see it, in the cost of production.

Mr. VOORHIS. This is a broader statement, but what you just said would not happen if those reductions are made under reciprocal trade agreement methods. I can see no reason why they should not be multilateral instead of just bilateral. I think if that were true you might get away from such situations as the Mexico-Canada deal, if you can get more than two nations together. But I think the protection against the thing happening that you suggested—our lowering our rates without other people doing the same—is to be found in reciprocal trade agreement methods.

Mr. WINDER. With certain precautions. I do not doubt but what reciprocal trade agreements can be worked out.

Mr. VOORHIS. It is the best way to do the job, if at all.

The CHAIRMAN. We can eliminate the "favored nations" clause. That would help.

Mr. WINDER. That would help. I don't think it would cure it.

Mr. MURDOCK. Several times I have gone before the committee on reciprocity information. Maybe I have caused the chairman of the committee to smile when I said I did not envy him his job, that I wished the Angel Gabriel were a member of his committee. This matter of entering into trade agreements in such a way as to benefit the whole economy without injuring any particular part of the country is particularly difficult.

Mr. VOORHIS. What makes you think the Angel Gabriel would be always on the right side?

Mr. COLMER. I expect that he would be outmoded, anyway.

The CHAIRMAN. You may proceed.

Mr. WINDER. That completes my statement, if there are not any more questions, Mr. Chairman.

Mr. ARTHUR. We are interested in getting help on the question of longer-range objectives in agricultural policy. I wonder if you could indicate for us what you see as the future scope of the wool-growing-industry producers. You mentioned that they have in normal times produced about half of our domestic requirements.

Mr. WINDER. A little over half, about two-thirds.

Mr. ARTHUR. Nearly two-thirds.

Mr. WINDER. We did, but we are not producing much over half of what our normal requirements were. In other words, there has been a considerable liquidation in the sheep industry in the last 2 or 3 years, so we are not producing today as much as before the war.

Mr. VOORHIS. Is that on account of the demand for meat?

Mr. WINDER. No; I think that is mostly on account of the fact that the sheep growers have not felt very secure in the business, and I think labor shortage has had considerable to do with it.

Mr. ARTHUR. Under the program you suggest, how much expansion do you visualize would occur in the wool-growing business after the war?

Mr. WINDER. I think very little, if any. The fact of the matter is, I look for a little more liquidation. I think there would have been considerable more liquidation this fall if prices had been maintained as earlier this year.

Mr. ARTHUR. How about the long-term "normal production"?

Mr. WINDER. I don't see much opportunity for a great expansion in this country. Our ranges are being pretty well utilized at this time. Any expansion, as I see it, would have to come in the Middle East here.

Mr. ARTHUR. Then if the demand expanded with full employment presumably we can let more wool in from outside of the country?

Mr. WINDER. That is right, and that is the hope of the Australian wool growers in setting up this tax for promotion work and the contribution from the Commonwealth Government. They are matching the amount raised through the tax for promotion of wool and wool products in this country, mostly because they know that this is the one great market in the world today.

Mr. ARTHUR. Now, in the land used for wool growing in this country, are there other possible uses for that land with which the wool grower has to compete?

Mr. WINDER. Some of it could be utilized for cattle, but that is all. It has to be used by livestock of some kind, and there are some ranges in the West that are not suitable for cattle, but are suitable only for sheep.

Mr. ARTHUR. Then the problem boils itself down to a fairly well-defined capacity in this country for the growing of wool and it is your desire that a market for that volume be assured the domestic wool grower, supplementing that to meet our needs with wool imported from other countries?

Mr. WINDER. We feel that we should maintain in this country a greater number of sheep or at least as great a number of sheep as it is possible to run on the land that is fitted for it. In order to maintain a constant supply of wool for this country in case of emergency, such as we had in 1941, I think that we should maintain that number of sheep.

Mr. ARTHUR. Now, am I correct in saying that your principal desire in protecting the market for wool, as against competing fibers, lies in an effort to do research work and to see to it that competing fibers are promoted in this country on the basis of true qualities of the competing fibers?

Mr. WINDER. That is right. Certainly there is a place for synthetic fibers and synthetic fabrics, but we want that expansion made, not at our expense, especially that which is untruthful.

Mr. ARTHUR. Then if the cost of competing fibers and fabrics were reduced sharply, presumably wool would be pulled down by that competition; is that correct?

Mr. WINDER. Well, if the true values are known and the truth told about it, I don't think that anything is going to replace wool. Our Army has proved that this time.

Mr. VOORHIS. You fellows would be for something along the line of grade labeling?

Mr. WINDER. We do have that.

Mr. MURDOCK. How about the truth-in-advertising measures that we have?

Mr. WINDER. We have the truth-in-fabric law.

Mr. MURDOCK. I meant that.

Mr. WINDER. Yes; that is correct. We have that Labeling Act, but in spite of that a great many claims are made. All I was suggesting there was that it would be a proper function of the Government, I thought, to set up an impartial testing laboratory where claims can be analyzed.

Mr. VOORHIS. You know what the trouble is, don't you? The Bureau of Standards is scared to death to give out any information about anything like that for fear they will step on somebody's toes. You cannot get information out of them with a can opener. At least, I don't think so.

Mr. WINDER. I think you are right.

Mr. VOORHIS. I think it should give out that information.

Mr. ARTHUR. To follow up my question, I would like to go one step further. We mentioned that wool will compete to your satisfaction with the synthetics and other fibers and then that would become the primary element in determining the price that wool would bring?

Mr. WINDER. No.

Mr. ARTHUR. You are assuring your wool people that foreign fibers will not be brought in to compete with them and that they will be restricted to the amount that supplements the domestically grown wool. There would be no limitation on the amount that you could get for your wool as a result of foreign competition, and it would presumably be the competition of other fibers that would be the price governor in your eyes, or in your industry?

Mr. WINDER. To the extent that they would compete, I think that that is correct.

Mr. ARTHUR. Do you have any other ideas about price programs by the Government to maintain the level of wool prices?

Mr. WINDER. Well, I thought I would leave that to Mr. Wilson when he came on, if that is all right with the committee. He was going to take up the wool question in more detail.

Mr. VOORHIS. I suggested to Mr. Zimmerman and to Mr. Colmer if they could only persuade a portion of the American people who now use wool to use cotton instead of that portion of the wool having to be imported, then we might solve both the cotton and wool problem. Then you would not have to worry about the competition of imported wool and they would not have to worry about the cotton surplus.

Mr. WINDER. You might have a thought there, Congressman, to the extent that cotton can be substituted for wool.

Mr. VOORHIS. That, of course, is the only problem.

Mr. WINDER. I agree with you.

The CHAIRMAN. You know the cotton people in America have established considerable research in America to determine new uses for cotton; to prove the value of cotton; and do for cotton just exactly what you said should be done for wool. They are doing that from the funds raised by the industry itself.

Mr. WINDER. That is what we are doing, too.

The CHAIRMAN. This wool question is a pretty difficult question and I think we all realize that. The growing of wool in this country is a byproduct of mutton, or is mutton the byproduct of wool?

Mr. WINDER. In most cases it runs close to 50 percent, that is the income from wool and the income from meat, from the sheep animal. Your income is split about even. In some States, probably, the income from wool will be the major part and in other places the income from lamb will be the major portion.

Mr. VOORHIS. How do the prices run relative to mutton and wool? Do they rise and fall together?

Mr. WINDER. Yes; the value of wool has a very definite effect on the value of the lamb. The lamb has wool on it, too, you know.

Mr. VOORHIS. As the price of wool rises, does the price of mutton have a tendency to rise also?

Mr. WINDER. Ordinarily, yes.

The CHAIRMAN. What about a surplus of beef? What does that do to mutton?

Mr. WINDER. There is not too much connection. I think about 4 percent of the total meat consumption is lamb in this country.

The CHAIRMAN. You say that the wool growers are worried about the security of the sheep industry and that they are liquidating at this time rather than increasing the production of sheep?

Mr. WINDER. They have been liquidating for the past 2 years.

The CHAIRMAN. Well, has that been due to the price of wool?

Mr. WINDER. No; I think not.

The CHAIRMAN. What has been the cause, in your opinion?

Mr. WINDER. Well, there are two or three factors. There is the labor situation, for example.

The CHAIRMAN. Yes; you told us about that.

Mr. WINDER. And as near as I can gather from the wool growers, they don't look into the future with much security.

The CHAIRMAN. Why?

Mr. WINDER. Well, we have on hand in the world today enough wool probably to supply all of the mills under normal conditions for 2 or 3 years, or 2 years, anyway, with another clip coming on.

The CHAIRMAN. You mean you have that much stock on hand in this country?

Mr. WINDER. No; in the world.

The CHAIRMAN. Well, there is a tariff against that wool, isn't there?

Mr. WINDER. Yes; and they are importing wool into this country today and paying the tariff and it is selling for about 10 cents a pound in the grease less than our wools can be raised for in this country.

The CHAIRMAN. Now we are getting down to the crux of the proposition.

Mr. WINDER. In fact, during the last 2 years that has been happening. This is something I thought would come up when Mr. Wilson gets on the witness stand.

The CHAIRMAN. Has there been any change in our tariff laws in recent years?

Mr. WINDER. No.

The CHAIRMAN. I want to go back to about 1932. What was the price of wool at that time?

Mr. WINDER. Mr. Wilson can answer that question.

Mr. WILSON. It was 2 cents below the protective duty. We were selling at 32 cents and the duty was 34 cents.

The CHAIRMAN. Back in 1932?

Mr. WILSON. That is right.

The CHAIRMAN. That is what you get for wool out in Wyoming?

Mr. WILSON. That is what we were supposed to be getting. I doubt if we got that.

The CHAIRMAN. What is the price today?

Mr. WILSON. The same wool today is \$1.18.

The CHAIRMAN. \$1.18—

Mr. WINDER. The same wool today is \$1.18 and perhaps \$1.16.

The CHAIRMAN. \$1.16 a pound?

Mr. WINDER. Yes; cleaned.

The CHAIRMAN. We are taking the two of them. The \$1.16 a pound for the wool today and 32 cents back in 1932; is that right?

Mr. WINDER. That is right.

The CHAIRMAN. That is quite an increase; isn't it?

Mr. WINDER. Yes; it is.

The CHAIRMAN. Has it increased steadily over the years?

Mr. WILSON. It increased immediately. In 1933 it went up. I don't happen to have those figures with me, but my recollection is that it was somewhere around 60 and odd cents, and the normal price of wool—well, I can give you those figures when I am on the stand.

The CHAIRMAN. You say sixty-odd cents a pound?

Mr. WILSON. Yes.

The CHAIRMAN. Almost double the '32 price?

Mr. WILSON. Yes.

The CHAIRMAN. And since then it has doubled almost again?

Mr. WILSON. That is correct.

The CHAIRMAN. And still the wool growers are not satisfied and going out of business?

Mr. WINDER. It is not a question of being satisfied, but making both ends meet. They were not making both ends meet at 32 cents back in 1932.

The CHAIRMAN. Well, there are very interesting things in that connection about some of the wool-growing States, their reaction to what they were getting.

Mr. WINDER. If the committee would like to have the figures on costs of production of both lamb and wool, we can give them to you. We don't have them available, but we can make them available to the committee.

The CHAIRMAN. I think that would be rather interesting.

Well, you say that the world supply is about \$1.06 a pound?

Mr. WINDER. It is about \$1 a pound.

Mr. WILSON. About \$1 a pound, paying 34 cents duty.

The CHAIRMAN. They can export it for about \$1 a pound?

Mr. WILSON. That is right.

Mr. WINDER. You see, the British Government bought all of the Australian, New Zealand and South African wools from their colonies and then they set a price at which they would sell that wool either to our Government or to individual importers. Then, they increased the price to the Australian wool growers 15 percent, but they did not increase their issue price.

So, in order to get the wool into this country so their wool will sell at a price under our wool, they are buying the wool from the Australian wool growers and selling it at a lesser price. In other words, they did not increase their issue price to the same extent that they increased the price to the grower.

The CHAIRMAN. I understood you to say that we reached the maximum of production of sheep and wool?

Mr. WINDER. We have.

The CHAIRMAN. We have now, you mean?

Mr. WINDER. Yes. Well, there is possibility for a little increase or a little expansion to take up this liquidation that has occurred in the last 2 years. I don't think it should ever be taken up entirely.

The CHAIRMAN. Generally speaking, you would say we reached the saturation point and that that represents in peacetime about 50 percent of our needs of wool?

Mr. WINDER. That is right.

The CHAIRMAN. And we are dependent upon foreign countries for 50 percent?

Mr. WINDER. Approximately, yes.

Mr. WILSON. We produce now 60 percent and we need to get 40 percent.

The CHAIRMAN. For 40 percent we must look to the foreign markets?

Mr. WINDER. That is right, and if we can't increase the consumption of wool in this country, we will have to look to foreign countries for a larger percentage.

The CHAIRMAN. Do you advocate the raising of the tariff on wool?

Mr. WINDER. Well, I have not advocated that up to date.

The CHAIRMAN. I mean, do you? What is your private opinion? You are a wool producer, aren't you?

Mr. WINDER. I don't think it is possible and I don't think it is feasible, no.

The CHAIRMAN. You don't advocate that?

Mr. WINDER. No.

The CHAIRMAN. What can we do for you fellows under the circumstances?

Mr. WINDER. The only thing that I can see is to set up, as I suggested, a quota system whereby we will not import any more wool than is necessary into this country. There is not a pound of domestic wool going into civilian consumption and has not been in this country for 2 years.

The CHAIRMAN. Then we would have to enter into an agreement with all wool-producing countries to make that effective?

Mr. WINDER. Yes; perhaps so, but Great Britain controls the major portion of the wool in the world.

The CHAIRMAN. We would have to deal with the country that furnishes this extra 40 percent that comes into this country annually?

Mr. WINDER. Yes; that is correct.

The CHAIRMAN. Well, the only solution then is the right kind of a reciprocal trade agreement or a reciprocal trade treaty with each other?

Mr. WINDER. I would think so.

The CHAIRMAN. Are you for reciprocal trade treaties?

Mr. WINDER. If they have to be, yes.

The CHAIRMAN. Do you know of any other way out?

Mr. WINDER. No.

The CHAIRMAN. Then, if there is no other way out, aren't you for them?

Mr. WINDER. Well, that is the only way that I can see, Congressman, that you can handle trade with foreign countries.

The CHAIRMAN. Well, we find a lot of men out here raising hell for Congress promoting reciprocal trade treaties and condemning them, and yet they come along—

Mr. WINDER. It is not the idea of a reciprocal trade agreement as much as if you have a reciprocity agreement and you get value for what you are giving. I think that is the main objection to them.

The danger is that one industry may be traded off to help another, and this is especially true regarding agriculture. Most agricultural products need some protection to equalize costs of production, either through a tariff or restriction on imports or both.

The CHAIRMAN. Reciprocity? Well, of course, you know you have to have a meeting of minds before you can have an agreement.

Mr. WINDER. That is right.

The CHAIRMAN. And if you sit down across the table and reach an agreement, there is a meeting of minds of the two contracting parties and you say that that is the only way you know to solve this problem?

Mr. WINDER. That is the only way I know.

The CHAIRMAN. And yet I believe your organization has given the reciprocal trade agreements the dickens, haven't they?

Mr. WINDER. Yes; that is correct.

The CHAIRMAN. What do you advocate?

Mr. WINDER. Setting up quota systems.

The CHAIRMAN. That is with reciprocal trade?

Mr. WINDER. Yes; there is no other solution that I know.

The CHAIRMAN. That is why I cannot understand your position. You condemn the Administration and condemn the reciprocal trade agreements and then say that that is the only way we can solve the problem.

Mr. WINDER. That particular phase of it has never been in any reciprocal trade agreements, Congressman, to restrict the amount that you will take.

The CHAIRMAN. How do we handle wheat? We have an agreement or an international agreement, don't we?

Mr. WINDER. Very recent origin; yes.

The CHAIRMAN. It has been in effect for quite awhile, I believe.

Mr. WINDER. I don't know. I am not a wheat grower.

The CHAIRMAN. Well, then, I believe if the quota system is the solution——

Mr. WINDER. So far as our industry is concerned, that is our suggestion.

The CHAIRMAN (continuing). You believe that that is the only way you can get away from these reciprocal trade agreements that you think are bad?

Mr. WINDER. Yes; and your most-favored-nations part of your trade treaties, too.

The CHAIRMAN. You cannot discriminate among nations, can you?

Mr. WINDER. Not unless you set up a quota system, unless you restrict the amounts; no. So far as our industry is concerned, that is the only solution I see of it, or else we will have to lower our prices to compete with world prices.

The CHAIRMAN. Personally, I have heard a good deal about reciprocal trade treaties, and a lot of people have condemned them, but they do not offer some better plan. That is what I think you wool growers ought to do for the Congress. I think you should give them a plan that will solve the problem. I don't know whether the quota system will or not.

Mr. WINDER. I think Mr. Wilson will tell you that we are prepared to offer that plan.

I want to thank you again, Congressmen, for giving me the opportunity of appearing before you today.

The CHAIRMAN. I want to say that I appreciate the fact that this is one of the toughest problems of American agriculture, wool and sheep problems. There is no doubt about that.

Mr. WINDER. If there is any information that we can furnish the committee in the future, we will be very glad to furnish it.

The CHAIRMAN. We have one more witness, Mr. Wilson, of Wyoming, who has given the wool and sheep problem a lot of thought, and he is vice president of the American Wool Council. It is my privilege to have known Mr. Wilson for quite a number of years, and we are happy to have you here today.

TESTIMONY OF J. B. WILSON, CHAIRMAN OF THE LEGISLATIVE COMMITTEE OF THE NATIONAL WOOL GROWERS' ASSOCIATION

Mr. WILSON. Thank you, Mr. Chairman. Permit me to say first that train reservations are hard to get, and I am leaving at 5:45. I would prefer to have you interrupt me, Congressmen. I want to clear up or amplify some of the questions that you asked Mr. Winder.

With reference to the situation in Australia, Australia's costs of shearing are about half of ours. Their labor costs, of course, are much lower because they run their sheep in fenced pastures. The Government there, as Mr. Winder pointed out, has a very liberal land and tax policy.

Our costs are fully twice the cost of producing wool in Australia; and I say that because not over 3 years ago I had with me for a week the president of the Australian Grazer's Association, who was going through Wyoming. I find that their costs, according to him, are not more than one-half of our costs. It is reasonable to assume that their costs have probably increased proportionately since that time to the same extent that our costs have increased.

Now, with regard to research, Mr. Chairman, I think that the Government, the Department of Agriculture, properly should do some research. They are doing a tremendous amount of research in other lines. They tell me that the research in cotton has, perhaps, been more beneficial than the private research. They have discovered that there is much misconception about the necessity of long cotton, that cotton an inch in length is just as strong and just as desirable as the longer cotton.

There has never been any research done on wool by the Government. Any research which has been done has been done by the mills themselves, and, naturally, they don't give that information to the public but use it for their own advantage.

Wool needs research and needs it badly, and that is one thing to which I think your committee should give attention.

The CHAIRMAN. I want to say this: I heartily agree with you that is the way, the logical way, to approach these problems, and if there is anything I think we should do in the future, it is to do more research and find new uses for agricultural products that will stimulate and sustain wool, cotton, and other industries, rather than to have them go out because of improper knowledge of what they are useful for.

Mr. WILSON. And there never has been, shall I say, Mr. Chairman, any research on wool.

The CHAIRMAN. I think you are right.

Mr. WILSON. It needs it a little more than any other fiber. We are unfortunately not in a position, perhaps, any more than the cotton people are, to compete with the synthetic people in research. They have millions of dollars and are spending millions of dollars each year in research. They are in the 80-percent tax bracket, so it is not costing them quite as much as it would cost some of the wool growers who are not in the 80-percent bracket. If any wool grower is in the 80-percent bracket this year, I will be very much surprised.

The CHAIRMAN. The truth is, these synthetic products are the result of research.

Mr. WILSON. Certainly. They have done a remarkable job—you gentlemen are, naturally, more familiar with that than I—but it is confined comparatively to a few companies, five or six; and doing the amount of business they do, they can do a tremendous amount of research, where the wool growers cannot, as such, afford to do it.

Let me say, too, there is a general misunderstanding about the prosperity of the wool growers. Wool growers this year generally—I say “this year,” I mean 1944—will actually lose money on their operations. Now, that does not mean that every wool grower will lose, but the rank and file of the wool growers will lose money on their operations.

May I suggest to your committee that the Tariff Commission is now bringing their so-called cost of production study up to date. It is not as complete as I would like to see it, but they are the one agency of the Government where the cost studies have been usually accepted. I probably will not agree with it entirely when it is available, but it should be ready by the first of the year, and I think it should be made available to your committee.

It will show, I think, that the wool, the present ceiling price on wool, is below the cost of producing that wool.

Now, I want to advert, if I may, to another point that Mr. Winder brought out, and that is the quota system. The one thing, I think, Mr. Chairman, that made the reciprocal-trade agreements work, in the case of many commodities, was that they established a quota system. In the trade agreement with Mexico, to which Mr. Winder referred, they established quotas on cattle at a point where no serious damage was done, and again referring to quotas, there are quotas on many products. You have a quota on wheat and a quota on cotton, a quota on flour, and you have a quota on coffee, which is not produced in this country.

The CHAIRMAN. We had a quota on beef from Canada, too, didn't we?

Mr. WILSON. The same thing regarding the Mexico treaty applies to Canada and other favored nations. You have a tariff on oil, crude petroleum, which was reduced 50 percent and a quota on imports established. The bulk of that quota goes to Venezuela and is parceled out to other countries. The same thing is true, I think, with the cotton quota and the wheat quota. The bulk of the wheat quota, as I recall it, 95 percent, goes to Canada. That seems to me to be our one hope of salvation; it is a properly applied quota system.

Now, our imports on wool—

The CHAIRMAN. Let's get that clear. Since these quotas are a part of the reciprocal trade treaties, then you do favor them?

Mr. WILSON. I have never heretofore favored it, congressmen; I want to be honest with the committee.

The CHAIRMAN. I want to talk frankly about it.

Mr. WILSON. I think it is the only way that our industry can be protected. I agree with Congressman Sabath in one respect, and about one only, that we must get away from the support prices. Now, your committee may be interested in knowing that the War Food Administration is again going to support wool prices this year; that is, they are going to purchase the wool clip, the domestic wool clip, on the same basis as last year. That was agreed to Saturday afternoon about 5:30, just before I left Washington.

We normally import what we call apparel class wool. Carpet wools come in free of duty, and we don't produce any in this country. There may be a little on the Navajo Reservation, but very little. The dutiable wool—that is, the apparel class wool—from the period 1892 to 1940, we imported an average of 121,243,135 pounds. In 1909 to 1940 we imported an average of 147,330,896 pounds. In 1931 to 1940—and, of course, as you well know, Mr. Chairman, 1932 was a rather unfortunate year for all agriculture; wool was not alone—in 1931 to 1940 we imported an average of 63,406,934 pounds. The high is—aside from the present war period—in the last war the high was 415,000,000 pounds. We are now importing about 600,000,000. We will import at the rate of 600,000,000 pounds this year.

So, allowing for the average consumption, which is about 600,000,000 in normal times, a quota could be arrived at which should be feasible; as the demand or consumption increased the quota should increase. We want to be fair about this, but it is the only way I can see, frankly, to save our bacon.

The CHAIRMAN. I agree with you.

Mr. WILSON. Now, there is one other question. We, like many other agricultural commodities, feel that a change in parity is necessary. The average price of fine combing wool, Boston, for the 1895 to 1941 period—and we don't have figures beyond that—was \$2.89 cents. The present ceiling price is \$1.18, although my figures are based on \$1.19. So the present price of wool is 43.5 percent higher than the 47-year average price, which I submit is not a big increase.

The wages in 1895—I know what the wages were, because I was in the sheep business at that time—they were \$30 a month for herders, and today they are \$150 a month.

The CHAIRMAN. I think another thing you might add there to that cost, as well as hired help, is feed.

Mr. WILSON. The feed has gone up proportionately, Congressman. In 1900 to 1940, the average price of fine combing wool in Boston was 88.79 cents. The present price is 33.87 percent above that 41-year average price; and, again, I submit that that is not a very big increase.

The price of fine and fine medium combing wool from 1909 to 1940, a 32-year period, was 97.71 cents, an increase of 21.78 percent—that is the present ceiling price, I should say—was an increase of 21.78 percent.

The price of fine and fine medium combing wool—and all of these prices are based on Boston—and all clean basis in the parity period was 61.8 cents, and the present price is 92.4 percent above the parity period, but the parity period is, so far as wool is concerned, the lowest 5-year consecutive period, with one exception, in the history of the business, and I assume that other agricultural commodities are going to ask for a change in parity.

The CHAIRMAN. In other words, your index number there, the basic period—

Mr. WILSON. The basic period was bad.

The CHAIRMAN. In other words, we have taken a low period that, of course, does not reflect the true parity relationship?

Mr. WILSON. That is right. We should have taken a leaf from the tobacco people and had our parity period changed at the time they did. But at that time we were riding on the top of the world. We didn't need anything. We were all right.

You take today, when you compare the increases, wool has increased less, as compared with the average price for 1909 to 1940, than any other important commodity. There was an increase of 36 percent on beans; peanuts, 73 percent; rice, 60 percent, and so on down the line.

Wheat has increased 28.3 percent, which is the nearest to wool, which has increased 21.78 percent.

There is just one thing that has to be taken into consideration in considering quotas, and that is if a quota is fixed on wool, consideration will have to be given to fixing a quota on the manufacturers of wool. Our domestic manufacture is the only market we have for wool, and it would have to apply to tops in yarn and the various processes beyond the raw wool itself. Otherwise we would merely be left with the wool on our hands, and it would come in in the form of goods, exactly what happened in the case of flaxseed when they passed the emergency tariff along in the twenties sometime, as I recall it. They increased the duty on flaxseed, but they forgot to increase the duty on linseed oil. The consequence was, there was no market on flaxseed. It always came in in the form of oil, and we have to import flaxseed from Argentina.

Those, I think, are things that can be done, a change in parity and a quota system to save the sheep industry of this country; otherwise you are not going to have a sheep industry.

I think you can get figures from the Tariff Commission which will be more authoritative, although we might not, perhaps, agree with them, than the figures we can give you, because they are now making that study.

THE CHAIRMAN. Let me ask you one question. Is the base period for computing parity fixed?

MR. WILSON. July 1, 1909, to June 30, 1914. It was changed for tobacco from 1920 to 1929, as I recall it, or 1919 to 1929, and it was changed the second time for tobacco.

THE CHAIRMAN. I think you are right about that.

MR. WILSON. I think you will remember it, Congressman, because you were on an agricultural committee part of that time. They didn't have the data on parity for peanuts, so they made a new parity period for peanuts. But we really need a new parity period, because an examination of the record will show it was an extremely low figure.

THE CHAIRMAN. I agree, the figures you read in the record do bear out that fact.

MR. WILSON. I should like an opportunity, Mr. Chairman, if I may, to present a prepared statement to the committee.

(The statement referred to is as follows:)

STATEMENT OF J. B. WILSON, CHAIRMAN OF THE LEGISLATIVE COMMITTEE
NATIONAL WOOL GROWERS ASSOCIATION, MCKINLEY, WYO.

The United States is the second most important apparel wool-growing country in the world. The products of the wool-growing industry are wool and meat.

While sheep are raised in most of the States in the Union, 75 percent of the industry is located in the western range States and Texas. Sheep in these particular States produce an average of approximately 300,000,000 pounds of wool grease weight with a value of approximately \$120,000,000 and 1,000,000,000 pounds of meat with an average annual value of \$150,000,000 or a combined annual value of \$270,000,000.

Investment in sheep, land, buildings, and other equipment necessary in the wool-growing industry in this area is estimated at between \$750,000,000 and \$1,000,000,000.

More than 500,000 persons are engaged in and employed in wool-growing and wool industries throughout the country. A very large percentage of the western range lands used by the wool-growing industry are adapted only to livestock raising. Much of the rest of the area in the Western States is used to raise food for livestock. Sheep harvest an annual crop—native grasses and browse plants—which if not used for sheep grazing would be entirely wasted and a large and important segment of our country would be useless unless it could be adapted to some new and as yet undiscovered replacement industry.

To illustrate the fundamental importance of the livestock industry, I desire to point out that the cash income to the 13 Western States in 1943 from sheep, including both meat and wool, the percent which it represents of the total income and its importance in relation to other industries in these States. The States in question are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.

TABLE 5.—Cash income of various products and relative importance in 13 Western States for 1943

Products	Cash income	Percentage of total	Rank of importance
Petroleum.....	\$887,404,000	15.0	1
Fruit crops.....	709,082,000	12.0	2
Cattle and calves.....	697,399,000	11.0	3
Vegetable crops.....	626,161,000	10.0	4
Dairy products.....	409,272,000	7.0	5
Food grains.....	334,684,000	5.0	6
Hogs.....	301,778,000	5.0	7
Sheep, lambs, and wool.....	289,589,000	5.0	8
Copper.....	266,689,000	4.0	9
Chickens.....	84,671,000	1.0	10
Turkeys.....	72,033,000	1.0	11
Gold.....	43,786,000	.7	12
Sugar beets.....	41,638,000	.6	13
Silver.....	29,213,000	.5	14
Total livestock and wool.....			\$1,288,766,000
Dairy products.....			409,272,000
Other agricultural products.....			1,868,269,000
Total agricultural ventures.....			3,566,307,000
Total minerals and petroleum.....			2,539,604,000
Total cash income.....			6,105,911,000

In my own State of Wyoming, wool growing ranks second only to petroleum in cash income for the year 1943.

It will be seen from the above table that in these 13 Western States wool growing alone is the eighth largest industry. The income of cattle and sheep combined is larger than any other single industry.

The present war has again established beyond argument that wool is a fiber most necessary to the proper clothing of military forces on land, sea, and in the air. The most far-reaching mass tests in history conducted by scientists on behalf of our Army and Navy have proved this. The experience of troops in the field, at sea and in the air has confirmed it.

Thus, in discussing wool, we are dealing with a basic agricultural commodity the production of which must be maintained in a healthy condition as a fundamental requirement of both our national welfare and our national defense. We cannot afford to become entirely dependent on foreign sources of supplies for wool.

Early in December the Quartermaster General's Department of the Army called representatives of the American wool textile industry into conference and notified them that it faced emergency requirements for nearly 100,000,000 yards of uniform materials and blankets which must be delivered during the first 6 months of 1945. As a result, the production of the entire worsted division of the American wool textile industry has been restricted to military requirements until June 2, 1945.

These demands were for adequate clothing to protect the health and lives of our soldiers on the battle fronts and will necessitate the emergency consumption of nearly 400,000,000 pounds of wool, grease weight. These demands are in addition to the wool requirements of the Navy and Marine Corps and the 50,000,000 yards or more of relief fabrics for the United Nations Relief and Rehabilitation Administration.

The following table shows an estimate of world wool production:

TABLE 6.—*World production of wool*

[In millions of pounds, grease basis]

	1937	1942	1943
Australia	1,023	1,120	1,110
Argentina ¹	366	518	510
United States	424	459	448
New Zealand	297	340	310
British South Africa	233	260	250
Russia	260	270	230
Uruguay	116	124	136
United Kingdom	123	104	103
China	80	90	90

¹ While Argentina raises more wool than the United States, their wools are largely below 44's, which are not classified as apparel wools.

Domestic wool has accumulated in unused inventories during a period of wool-textile production that never were equalled in this country because imported wool sells for about 20 cents per pound clean basis less than domestic wool.

By far the greatest proportion of wool imports during the war have come from Australasia, the largest wool-growing area in the world. Lesser imports have come from British South Africa, Uruguay, and smaller imports from Argentina.

It is estimated that there is at the present time an accumulated inventory in excess of 700,000,000 pounds of low-cost wool in Argentina and this inventory wool will be increased to more than 1,000,000,000 pounds by the end of this year. These wools have accumulated because of loss of world market, lack of shipping, and our present unsatisfactory relations with the Argentine Government.

An enormous surplus of wool is in Australia. These wools are the property of the British Government which purchased the wools of its Dominions for the duration of the war and at least 1 year thereafter.

In order to obtain the widest market in the United States, which is not only one of the world's richest markets, but at the present time one of the few remaining markets, the British Government is reported to be selling wool here at prices less than it pays the Dominion growers.

May we suggest to your committee the following ways in which the wool-growing industry may be helped and maintained in a healthy condition in this country.

RESEARCH

One of the greatest needs in all branches of the wool industry is research. So far as we know, the only research work ever done by the Department of Agriculture has been in breeding and on wool shrinkages. They have left entirely unexplored research on wool fibers. We believe great service could be done to the wool growers of the country if a wool research laboratory were established and properly staffed.

The most extensive research ever done on wool by any governmental agency has been done during the war by the Army and the Navy, who have done much research on wool to determine the best type of garment to be used by our fighting forces.

Some of the mills in this country have done considerable research, but this research has been used for the benefit of the particular mill doing the research work and has not been made available, as Government research would be, to all mills.

While in other fibers there has been a great deal of technological developments, very little has been done on wool. There is need for much research on wool fibers, the effect of dyes on wool and particularly to discover new uses for wool and new methods of using wool. This seems to be a proper field for governmental research and we hope that your committee will give this matter consideration.

IMPORT QUOTAS

In view of the extremely large stocks of wool in all of the major wool-producing countries of the world, it would seem as though some means should be provided to put the imports of wool on a quota basis as is now done with many other commodities.

The Commodity Credit Corporation is now purchasing the domestic wool clip at ceiling prices. Yet these ceiling prices are below the cost of production. For confirmation of this we suggest that the committee ask the United States Tariff Commission for the latest studies on the costs of producing wool in this country. The United States Tariff Commission has long been recognized as a fact-finding body and they have for many years been making studies on the cost of production of wool. So far as we know this is the only governmental agency that has made such studies over a period of years, and we feel certain their studies will show that the present ceiling prices on wool and lambs are well below the cost of production in this country.

The present ceiling price of fine combing domestic wool is approximately \$1.19 clean basis. In November prominent manufacturers told us that if we were to get the domestic wool clip owned by the Commodity Credit Corporation into consumption, the Commodity Credit Corporation would have to reduce the price of fine combing domestic wool to 88 cents per pound clean basis. This would mean a reduction of from 10 to 15 cents per pound grease basis, which would absolutely ruin the wool-growing industry in this country because, as we have pointed out previously, present prices of wool and lambs are below the cost of production.

We desire to call the committee's attention to the fact that the present ceiling price on fine and fine medium combing wool clean basis Boston has advanced less, compared with the average price from 1909 to 1940, than any of the other important agricultural commodities, as is shown by the following table:

	Price, 1909-40	Market price, Sept. 15, 1944	Increase of present prices over price for 1909-40
			<i>Percent</i>
Beans.....	0.4721	0.642	35.9
Potatoes.....	.803	1.47	83.0
Peanuts.....	.4359	.751	72.31
Rice.....	.997	1.60	60.48
Chickens.....	.1643	.237	44.24
Oats.....	.406	.642	58.1
Corn.....	.7588	1.16	52.87
Wheat.....	1.0518	1.35	28.3
Tobacco.....	.1685	.429	154.6
Cotton.....	.1519	.2102	38.38
Barley.....	.6046	.953	57.02
Cottonseed.....	29.51	52.30	77.2
Hogs.....	8.591	13.50	57.14
Wool fine and fine medium combing wool clean basis Boston.....	.9771	1.19	21.78

It will be seen from above that wool has advanced less than the other commodities.

It is interesting to note that the average price per bale of Australian wool in 1940-41 was 18.49 percent higher than the average price per bale of Australian wool for the 1909-40 period.

The average importation of apparel-class wools into this country during the period 1892 to 1904, inclusive, amounted to 121,243,135 pounds grease weight. During the period 1909 to 1940 the average importation of wool amounted to 147,330,896 and during the period 1931 to 1940 the average importation of wool amounted to 63,406,934 pounds grease weight. There was a wide variation in the imports of these wools by years going from the low of 8,478,809 pounds in 1894 to 415,468,893 pounds in 1917 and, of course, during the present war we have been importing wools at the rate of about 600,000,000 pounds per year. During 1944, the sales of wool in Australia to be exported to this country for the period August 1 to December 15 were 430,105 bales compared with 320,195 bales during the same period in 1941. During the period 1923 to 1942 inclusive 25.4 percent of the mill consumption of apparel-class wools in this country were imported.

We suggest the establishment of an import quota on wool which would permit the importation of enough wool to make up any deficiency above the domestic wool clip for manufacturing requirements. This quota would have to be flexible and, as manufacturing increased or decreased, the quota would likewise have to be increased or decreased.

If an import quota were fixed on wool there would likewise need to be an import quota on the manufactures of wool which would include tops, yarns, noils, wastes and goods, otherwise the wool would come in here in the form of manufactures of

wool and we would be left with the domestic wool clip as an unusable surplus in this country. An example of what might happen if an import quota were placed on wool and not on manufactures of wool is shown by what happened to flaxseed. When the emergency tariff of 1921 was passed the duty on flaxseed was increased without any change on the duty on linseed oil. Within 20 days after the passage of this emergency tariff the importation of flaxseed in this country ceased and the finished linseed oil was brought in instead. This obviously caused the domestic manufacturers of linseed oil to close down, creating a serious disarrangement and substantial unemployment. This situation was corrected in the regular tariff bill.

Every yard of fabric imported into this country deprives the wool grower of his market for the quantity of wool contained in that particular yard of fabric. From a broad economic standpoint every time a yard of woollen fabric is imported into this country a job for an American worker is exported abroad.

In the post-war era unemployment will be a vital problem, so it is of interest to note the importance of the woollen and worsted industry in this country. In a list of 177 of the largest manufacturing industries in the United States, the woollen and worsted manufacturing industry ranked seventh in the number of workers employed and fourteenth in importance, so far as the value of its finished product is concerned. This industry has a very high ratio of employment compared with the value of the product produced.

Without a quota on the imports of the manufactures of wool not only would the wool grower be affected by being deprived of his market, but it would at the same time very seriously affect employment in the seventh most important manufacturing industry so far as labor is concerned.

The importation of fabric into this country, like importation of wool, has varied tremendously over the past 25 years. Approximately 85 percent of these imports originated in the United Kingdom. Over a 25-year period these total imports have averaged approximately $2\frac{1}{2}$ percent of the total fabrics used for apparel purposes by this country.

Unlike the quota on wool, which should be on a flexible basis, the quota on the manufactures of wool should be on a fixed basis. There is ample precedence for the import-quota system, as import quotas have been established on sugar, coffee, red-cedar shingles, tobacco, cattle, petroleum, cotton, wheat, silver-black foxes, fresh milk and cream, codfish fillets, potatoes, and probably other products.

PARITY

It has been generally recognized that the 1909-14 base period for figuring parity was very unfortunate so far as wool is concerned. The period 1900 to 1905, inclusive, was the only 5-year consecutive period when wool was lower than during the base period of 1909-14. During the period 1900-1905 the average price of fine combing wool Boston was 56.66 cents per pound. During the period 1909-14 the average price of fine combing wool, Boston, was 61.8 cents. During the parity period fine combing wool was 74.5 percent of the average price for 47 years (1895-1941). During the parity period wool was 69.54 percent of the 41-year average price (1900-1940). During the parity period wool was 63.27 percent of the 32-year average price (1909-40).

The following gives the relationship, percentage-wise, of the average price during 1909-14 base period (parity) to the average price during 1909-40 (32 years):

TABLE 7.—*Relationship of prices during 1909-14*

[Base period (parity) to prices during 1909-40 (32 years)]

	Percent		Percent
Beans.....	84. 51	Wheat.....	83. 55
Potatoes.....	82. 19	Tobacco.....	59. 3
Rice.....	81. 54	Cotton.....	81. 63
Peanuts.....	97. 5	Cottonseed.....	113. 9
Chickens.....	69. 38	Barley.....	102. 38
Oats.....	98. 0	Hogs.....	84. 6
Corn.....	84. 6	Fine combing wool, clean basis.....	63. 28

From the above table it will be seen that the price of fine combing wool was lower than the other important commodities during the 1909-14 period with the exception of tobacco. It will be recalled that Congress recognized that the 1909-14 period was unfair to tobacco and changed the parity period for that commodity and yet, it will be noted that the relationship of wool during the base parity period compared with the average prices for 1909-14 was but very little

higher than tobacco. This should indicate clearly that a change in the parity period for wool is necessary.

We hope that your committee will call representatives of the Tariff Commission and ask them to give you figures on costs of wool production which should be made a part of the record, because there seems to be a general impression—which is held both in Congress and by the public generally—that the wool growers are all making a great deal of money from both wool and lambs. Your committee can be of great service to the industry by helping to dispel this false impression.

We would be glad, if the committee so desires, to go into any of the matters mentioned herein more fully.

We have tried to keep this statement as brief as possible and get the situation covered by suggesting three matters of paramount importance that can be done to help the wool-growing industry. First, research; second, import quotas; and third, a change in the parity period.

The only market we have for domestic wool is the Army and, to a lesser extent the Navy. The Army in 1940 gave domestic wools preference in Army contracts by paying more for goods manufactured from domestic wools than for goods manufactured from lower-priced foreign wools. This is in accord with the "Buy American" policy. Be it said to the credit of the Quartermaster's Corps of the Army that they have always given preference to the use of domestic wool even though it was higher priced.

It must be remembered that our costs of production in this country are much higher than in any of the wool-exporting countries. It should also be remembered that, while great progress has been made in the development of machinery for manufacturing and for agriculture, thus reducing the costs of production of manufactured products and some agriculture products, no machinery has yet been invented which will reduce the cost of production of wool and lambs. It is true that by improved breeding and selection we have increased the weight and quality of both wool and lambs, yet in spite of this improvement, our costs of production are still much higher than in any of the exporting countries.

Mr. WILSON. If there are any questions at all about anything on wool, I would be glad to try and answer them. I think I am somewhat of an authority on wool. Incidentally, it may interest you gentlemen to know that we were seriously worried about the wool stocks that the Commodity Credit Corporation has, but if we can keep the Army using it—you see, the Army has been following the principle of Congress' enacting the "Buy American" Act, and they have been giving a preference for domestic wool, and if we can keep them from doing that, we will dispose of upward of a hundred million pounds of that stock pile. The Army's requirements for the next 6 months are the largest ever—a hundred million yards of wool goods.

The CHAIRMAN. Don't you think the prospects are that that demand will continue?

Mr. WILSON. It will continue for this 6-month period, and then I think it will fall off.

The CHAIRMAN. I don't see any hope for it.

Mr. WILSON. I hope you are wrong, and so do you.

The CHAIRMAN. I know; but I am talking about—I think we have got to be realistic about this thing.

Mr. WILSON. The fact is that they have come in for the largest procurement, Congressman, that they have ever had. A hundred million yards in 6 months is a tremendous amount of yardage. It means they are taking all of the output of the worsted mills for 6 months; they have frozen the top makers and the spinner, and the weavers, and about 50 percent of the wool machinery.

The CHAIRMAN. Are there any further questions you gentlemen would like to ask?

We certainly appreciate your presence, sir.

Mr. WILSON. I thank you very much, Mr. Chairman. I don't envy you gentlemen the job you have.

The CHAIRMAN. I might say, Mr. Wilson, some people think Congressmen don't do any work for their pay.

Mr. WILSON. I know much better than that, because I spend too much time in Washington.

Mr. COLMER. We are honored here this afternoon by having the distinguished chairman of the powerful Rules Committee of the House, the dean of the House and the dean of the Congress, whose district we are meeting in, Congressman Sabath. While I don't think he is what you might call a large farmer, he has some ideas about farming, or agricultural problems, and, as chairman of the Rules Committee, he has uniformly been cooperative in getting farm legislation to the floor, notwithstanding the fact that he represents an urban district.

So I wonder if we might not have a statement from Judge Sabath. I don't know exactly the nature of it, but I am sure it will be very instructive.

The CHAIRMAN. Mr. Colmer, I want to say, as a member of the Committee of Agriculture of the House of Representatives and chairman of this subcommittee, that we all know that Judge Sabath has always been a friend of agriculture, that he has been most helpful in legislation affecting agriculture.

When legislation was pending, he has been helpful in getting it to the floor of the House. We in the Midwest, especially, look upon him as a friend of American agriculture. As chairman of this subcommittee, I am proud to have him with us this afternoon. We will appreciate any statement that he might make.

TESTIMONY OF CONGRESSMAN ADOLPH J. SABATH, CHICAGO, ILL.

Mr. SABATH. Mr. Chairman and gentlemen of the committee, I am indeed pleased that I have been able to pay you a visit. I have been under the weather for several weeks, and this is my first day out, and I could not forego the pleasure of seeing how you are getting along in the hard task before you.

Of course, I maintained early that the first duty before us was to win the war, bring about a lasting peace, and bring our boys home to their dear ones as speedily as possible. After we have succeeded in that, we should devote our energy, our thoughts, and our efforts to other matters.

I am indeed gratified that my friendship for the farmers is recognized. For the last 36 years, I have been friendly to their interests, because I realize that if the farmers and agriculture are prosperous, the entire Nation and all of the people benefit.

I have been attacked in my district freely and severely, because I was voting against the best interest of the consumer and the people of my district. I have always tried to the best of my ability to point out and make clear that when I was aiding the cause of agriculture I was aiding the cause of business and also the cause of labor, because if agriculture is prosperous, the farmers have money enough to buy things for their families and buy new implements, and as they buy, the demand is created for these things which must be manufactured and which require labor. Later on, labor creates business and profits to the businessmen as well as profitable employment to labor.

However, I am not here today really to plead or aid the cause of agriculture, because I don't think that is necessary. Because I have been at all times a real friend of agriculture and the farmer, I thought I would take the liberty to bring home to you gentlemen some important matters that have been troublesome to me and that I felt for over 2 years, and nearly 3 years, should be rectified.

As it is, we have today in our country, notwithstanding the great prosperity, nearly 20,000,000 people who are earning less than \$1,300 a year, and half of them less than \$1,200 a year, or \$20 or \$25 a week. Meanwhile, the cost of living has been going up.

We passed the Wage and Hour Act to aid the underpaid workers of America, but it cannot cope with the increase in the cost of living. Unfortunately, most of the meager earnings of these men must be spent for food.

I venture to say that about 60 percent of the earnings of those white-collar and low-paid employees is spent for food, because they invariably have large families. Although the cost of living may now have gone up 30 or 40 percent—there is a difference in opinion as to the increase in the cost of living, but we will say that it is only 35 percent—I venture to say that nearly 60 percent of the earnings of these low-paid workers goes for food that the farmer raises.

I feel that the farmer is more prosperous than ever before in the history of our country—and I am mighty glad and proud of it—and that he has nearly eliminated all of the mortgages that used to plague him and on which he paid 6, 8, and even 10 percent interest. He has now some money in the bank, and he is obtaining a splendid price for all of his commodities.

I can remember when I bought 50 bales of cotton at 4 or 5 cents to help the cotton growers and I did not represent any of the cotton growers. I did it to help conditions, but I do remember that only 10 or 12 years ago the price of cotton was about 6 and 7 cents and even lower. Today I think it is about 21 cents.

Therefore I complimented in my speech the gentleman representing the cotton section in calling a conference in Washington of Members of Congress as well as the Senate and others in an effort to develop a program or policy or plan that would aid the cotton farmer and that would not leave him in a dangerous position as soon as the war is over. They must have realized and recognized what happened to the wheat growers and other farmers in 1930 or in 1928. We appropriated at that time \$500,000,000 to keep up the price of wheat and shortly after the \$500,000,000 was expended the crash came and wheat went down to about 46 or 47 cents. What applies to wheat applies to corn, rye, barley, and to cotton, and even to tobacco; in fact, all commodities.

The CHAIRMAN. It went to 25 cents a bushel for fruit, and corn to 10 cents a bushel.

Mr. SABATH. I fully appreciate that, but I don't want to quote the lowest prices. I want to be as fair to the committee and to you gentlemen and to the country as I possibly can and as I have always tried to be.

I know what the prices were, and I know that the cattle and hogs were selling at 2½ and 3 cents on the hoof, and I know the prices of all of these commodities that prevailed in 1930 and 1931 and 1932, and I am afraid, if we don't keep up the demand, with everybody

increasing the price for farm products, no matter how much money we will appropriate to keep up those prices, the day will come when I feel it will be a complete wreck and ruin to the farmers of this country.

Therefore, I have pleaded and suggested that a real study be given by your committee and by everyone else as to the future of the farmer, and I have had some experience in farming; I know something about it. I know that the lot of a farmer or a grower and a cattle raiser or hog raiser is hard. I know from when I was quite a shipper what the commission men used to do to me, and I presume that they are still practicing the old game.

Now, I am asking you, when you go on with this investigation, to pay serious attention to the things that are to come, and they are bound to come unless we do something. We will say that the prices of farm products have gone far enough and we cannot listen to Mr. O'Neal or to Mr. "Woolgrower" or to Mr. Clark or any representatives of the cotton grower even if it would be Mr. Clayton, or it does not matter who it is, or Mr. Borden or those people who control the milk and dairy industry of the Nation, because if we do we will find ourselves in a plight that will be detrimental to the farmer and to the country as well.

Now, I am especially interested in the consumer and the 20,000,000 underpaid and undernourished people in our country, notwithstanding that when you call for the reports of the corporations you find that they have billions upon billions in surpluses and in reserves, and are making greater profits than ever before.

Now, what good will it do them and what good did it do them in 1932 or '29 when the crash came? I called the attention of President Hoover, then, that we should stop the gambling in the Stock Exchange in New York, and everywhere else, but, unfortunately, I was not strong enough because when Mr. Morgan and—who was the president then, that went to jail?

Mr. Voorhis. Mr. Whitney.

Mr. SABATH. Mr. Whitney—and others who made their appearance in the White House, the assurance that was given me then went sky high. I pleaded with Mr. Whitney and the board to stop this artificial game and quit dealing with marked decks and playing with loaded dice. If they did not stop that, the day would come when they would regret it. My last telegram to Whitney was, "If you don't do it for the country's sake, do it for your own sake, because I know what will happen to you." Of course, I knew of some of the ramifications of Mr. Whitney.

Now, I fear the same thing that happened before may happen again and so you have a real task before you. I know these influences. I have been with you for many years and I know that the wool growers, the cotton growers, the wheat growers, and the orange growers, and vegetable growers, and cattle and hog growers, are all demanding a little more and a little more, and that is only natural. That is human nature, but they should be made to realize and understand that they have to stop, and think, and cease the continued and persistent demand for increases in prices when conditions do not warrant it and when it brings about such an unfortunate situation and condition as it does to the 20,000,000 of workers of America.

Now, that is my main plea. Perhaps you heard me make that speech on the floor of the House for those white-collar people many times, and I think it fits in because they suffer more than anybody else, because they consume more and they are obliged to consume more because they are obliged to work and the system requires more sustenance.

All of these gentlemen from Wall Street, or some of these other places, might not have to eat so much, but they drink a little more champagne and their appetites for food are not as great as for profits. However, if they even made a great deal of profit and much more than they are entitled to, it will not avail them anything if we do not arrest the unfair and unjustifiable increases in the cost of living.

That is about all I wish to bring home to you. I know that you are all sensible men and that you know I am trying to be helpful and I have been helpful in the past. I repeat that I have voted for every agricultural bill.

When I came to Congress the entire expenditure of the Government was not as great as it is today to maintain the Department of Agriculture. Now, we have done a great deal for the farmer, but you cannot satisfy everyone and there are a lot of people who won't be satisfied no matter what you do for them. However, there is a limit to everything.

Now, I noticed only yesterday an article stating that 4 cents more on a bushel of wheat is being allowed by the Office of Price Administration. I have a letter on my desk from Mr. Davis urging permission of an increase to the low-wage people. He said, it will require an act of Congress. It is the same thing as an increase of 4 cents per bushel of wheat. That is necessary because of the acts of Congress and so I am not quarreling with them, but I can bring it home to the people who will have a great deal to say in the next Congress and whose report and recommendations will be looked forward to anxiously to enlighten both Houses and the country as to what is the best thing to do for the Nation and for the people after the war is over.

I am grateful for the opportunity once more to express my viewpoint in behalf of the underpaid and underprivileged and, yes, in many instances undernourished people, and I hope that we will not be a party to granting every reckless increase for food which operates against these 20,000,000 or 25,000,000 of our people.

I want to thank you men for giving me the chance to express myself and, if you wish to ask any questions, I will be only too pleased to answer them, if I can.

Mr. COLMER. May I take advantage of that and lead off by making just a brief statement? The purpose of this committee, this subcommittee of the Post-War Economic Policy and Planning Committee is to do just what you are talking about, to make a study of post-war agriculture, to see that agriculture is not ruined and the farmer is protected and at the same time to see that he gets the protection that you have been talking about for this 20,000,000-class.

Now, I am sure that you agree with that. I am just wondering if you are not on a false premise when you implied by argument that the farmer is getting so much the better of this deal. The most ardent advocate of the farmer has only asked for parity with these workers that you are talking about. You believe in that, don't you?

Mr. SABATH. Oh, yes; but we have gone above parity.

Mr. COLMER. No, sir; not in Congress, we have not. I don't think that the record will show that.

Mr. SABATH. I will say this: Do you recollect when the chairman of the Agriculture Committee came before us and urged the resolution giving the Agriculture Committee the right to investigate the spread between what farmers were receiving for their crops or products and what the consumers paid, I immediately urged the passage of that resolution giving that committee that power, because for years I have maintained that it is manifestly unfair and I can't reason why there should be such a great difference between the price that the farmer receives and the consumer is obliged to pay.

Mr. COLMER. I don't find any fault with that. However, I say on the broad basis the farmer ought to be brought up to a parity with these workers that you are bespeaking.

Mr. SABATH. Mr. Colmer, you are a sensible man and so are the rest of you gentlemen. Well, taking cotton, we have over 12,000,000 bales of cotton in our warehouse on which the Government is paying tremendous amounts for warehousing, et cetera.

Mr. COLMER. Pardon me just a moment.

Mr. SABATH. I just want to finish that. We have a great crop coming again. Now, if you will keep the price above the market of the world, you will never get rid of those 12,000,000 bales of cotton and they will hang over you, and instead of giving the farmer or the grower a little advantage now, the little that he will gain by the increase of price now, he will lose doubly and trebly later on when he finds himself with all of that cotton on hand, while all of the other countries will be able to unload the tremendous quantity of cotton that they have. Have I made myself clear?

Mr. COLMER. You made yourself very clear, sir, and from your point of view, I would like to say that that is one of the things that this committee is studying, agricultural surpluses. However, I would like to point out to you again that the people who produce this cotton, the majority of the small type of farmer, the tenant farmer and the individual farmer, did not receive an income of twelve or thirteen hundred dollars a year, net. You are talking about your constituents. I am talking about my constituents.

Mr. SABATH. I agree with you and you know I have supported every proposition that came before the House to help the tenant farmer and I think it is an outrage and a shame that these men should be worked as they are at such a small income and derive such a small return for their hard labor. I agree with you.

Therefore I advocated years ago to stop these stock exchanges, and these produce exchanges. The gentlemen who do not know the difference between corn and rye or rye and wheat are selling thousands and millions of bushels of stuff which they have not got; when the farmer is obliged to sell, they will bring the price down and when the farmer is through with selling, they start to boost it up.

Those things should be stopped and eliminated. I have been advocating that in the interest of the grower and in the interest of the farmer.

Mr. COLMER. I agree with that, fine, but I am sure you don't want to leave the impression that you think the solution to the agricultural problem in the post-war era is to beat the farmer down to even a smaller income than the inadequate one he is getting.

Mr. SABATH. No; I will tell you, a man should not grow cotton if he has only a small plot. At the prevailing price, he should make twelve to fifteen hundred dollars a year. Why he is not compensated for his services or his work is beyond me. There is something wrong somewhere and that is the thing I think you ought to find out.

Mr. COLMER. That is the thing we are trying to find out, but we don't think the solution of it is to knock the price down or keep the price down.

Mr. SABATH. I am giving you an idea where the trouble lies, in the speculator, or hoarders, or manipulators. They are responsible for a great deal of this.

The CHAIRMAN. Don't you think this: I have been sort of disappointed with the work of that committee you granted a rule for to investigate the spread between the man who produces a bushel of wheat and the cost of the loaf of bread to this man who works down here for \$15 or \$25 a week, or whatever it is. It is too low during wartime, we know, and I will agree with you 100 percent on that. I regretted that that committee has not done more; but, of course, we lost the chairman of the committee by death and I hope the next Congress will continue that committee and get some action, because I think that lies right at the root of a lot of the trouble that these people are having.

In other words, they are paying more for food than they should pay when you consider the initial cost of that food and where it is produced.

Mr. SABATH. Go in any store around here and buy oranges, or a head of cabbage, or turnips, or lettuce, or a pound of prunes, or anything you want, and you will see how much you will pay. Or go to a butcher shop and see what you pay for the meat and everything else. When a poor woman goes there with three and four dollars, she brings home nothing.

These things come to me every day and that is why I am making this plea. For years I have been advocating cooperatives, but unfortunately the farmers did not seem to have enough confidence in themselves. If they had joined and handled the things as they should be handled without letting interlopers and professional manipulators step in, I don't think there would be that difference between the cost and the price.

Mr. VOORHIS. May I interrupt you there and say I think that is absolutely true, but it is not quite as discouraging as that. There are a lot of farmers who have farm cooperatives——

Mr. SABATH. I am glad to hear that.

Mr. VOORHIS. And they found them tremendously beneficial precisely at that very point, of enabling those farmers to get a portion of the protection when they marketed their crops which they cannot have under the circumstances of marketing that you described a while ago. So, cooperatives have helped and they are going to help more, I think.

Mr. SABATH. There should have been more of them.

The CHAIRMAN. We are going into that.

Mr. SABATH. I have been advocating that for some time and you cannot charge me with not being fair to the farmer. I am fair to the farmer because I want him to get a fair share and a fair profit for everything he raises, but, on the other hand, I want those prices not

to be too high for these men who are earning such low wages and salaries—these thousands of clerks in various stores and in the banks and everywhere else—because they are not organized.

The CHAIRMAN. Your policeman, school teacher, and minister are in that group of people.

Mr. SABATH. Yes; that is right. Well, as a rule, the policemen are organized, the school teachers are organized and they are getting better wages and salaries, but there are thousands upon thousands of others who are not organized and those are the people who are earning these low wages and are obliged to work for the low wages and low salaries and that is the thing that you must give a great deal of consideration to and not how much more should the farmer receive.

If the farmer is getting a good profit now for the thing that he raises and he has been able to pay off his mortgages and he has been able to buy new machinery and properly clothe his wife, and have money in the bank, he should be satisfied not to demand additional profits as long as his profits the last few years were high enough.

Mr. VOORHIS. The problem is going to be—what is going to happen after the war is over, and the problem is to prevent a disastrous decline.

Mr. SABATH. That is the thing I am trying to bring home, and I am afraid if we continue by artificial methods to keep the prices of all of these products up, there is bound to be a crash.

Do you know what they are doing now? They are burning wheat in Argentina. Do you know how many more millions of bushels of corn and wheat are now above possible consumption? What will be the result in 6 months, 9 months, or a year? That is what I am trying to prevent, and that is the reason I thought I would drop in and say hello to you.

I am grateful for the kind words you have said about me, and I hope that I will continue to deserve them and that the farmers will look upon me as their friend.

What I have said today is for their interest, too. I don't know whether Mr. O'Neal is here, but they always want to get more and they always want to show how much more they can do. Well, sometimes they ask for too much and we have been giving them nearly everything they ask for and so we must see that they are satisfied so long as they are getting a good price.

The CHAIRMAN. We appreciate your being here very much. We will adjourn until 9:30 tomorrow morning. (Whereupon, at 4:50 p. m. the hearing was adjourned to 9:30 a. m., Tuesday, December 19, 1944.)

POST-WAR ECONOMIC POLICY AND PLANNING

TUESDAY, DECEMBER 19, 1944

HOUSE OF REPRESENTATIVES,
AGRICULTURE SUBCOMMITTEE OF THE
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Chicago, Ill.

The committee met at 9:30 a. m., Hon. Orville Zimmerman (chairman) presiding.

Members of committee: Hon. Orville Zimmerman, Hon. William M. Colmer, Hon. Jerry Voorhis, Hon. Clifford R. Hope, Hon. John R. Murdock.

The CHAIRMAN. The committee will please come to order.

We have with us today Mr. Fowler McCormick, president of the International Harvester Co., who has consented to appear before this committee and give us his views on some of the post-war problems of agriculture, which we know are going to be helpful. So, at this time, Mr. McCormick, we would be glad to hear from you.

TESTIMONY OF FOWLER McCORMICK, PRESIDENT OF THE INTERNATIONAL HARVESTER CO., CHICAGO, ILL.

The CHAIRMAN. If you have a prepared statement, you may read that, and we will not bother you, or if you prefer to be interrogated, we will follow that policy.

Mr. McCORMICK. Whichever you choose, Mr. Chairman. I have a short statement here, and that might form a basis, if you care to ask questions.

The letter which I received from Mr. Arthur, consultant to your subcommittee, suggested that I direct my comments before the committee to two principal points: (1) measures that might be taken to reduce the wide fluctuations in farmers' purchases of capital equipment, and (2) the prospective adjustments likely to occur in post-war agriculture resulting from changes in machine use and technology. With your permission I should like to comment on those topics separately and in the order in which they were presented, and I might say, Mr. Chairman, if it is your pleasure to ask questions during the paper, that is quite all right.

The CHAIRMAN. Thank you, sir.

Mr. McCORMICK. First, as to measures that might be taken to reduce wide fluctuations in farmers' purchases of capital equipment, such as farm machinery.

The first point to be understood, I believe, is that the fluctuations in purchases of capital equipment closely correspond with and are caused by fluctuations in farm cash income. There is a direct rela-

tionship between the farmers' current income and what he considers to be his prospective income, and the amount of machinery he buys.

This is because farm equipment is to the farm producer what machine tools are to the industrial producer. Farm machines are never bought for display, or for pleasure, but are bought only because the farmer expects by their use to reduce production costs or to improve the quantity or the quality of his output, or all three. They are tools of production purchased only when the buyer expects to make a profit by their use.

Since this is so, it follows that any measures or conditions which tend to maintain the cash income of farmers on a steady level will also result in maintaining their purchases of capital equipment at a steady level.

Many factors tend in that direction, with most of which I am sure you gentlemen are familiar. Among them might be mentioned the tendency toward greater diversification of farming in areas which have historically been predominant one-crop territories, such as the cotton country. Another tendency is toward development of industrial markets for farm crops. In addition there are and will be many governmental policies and programs all having a similar objective. To the degree that these various factors succeed in equalizing the peaks and valleys in farm cash income, they will also automatically equalize the peaks and valleys in farmers' purchases of capital goods.

Mr. MURDOCK. May I ask a question there? Will you elaborate a little bit on industrial uses of farm products? Are you thinking of new uses?

Mr. McCORMICK. Congressman, I think that is a tremendous field. It is termed, as you know, the chemurgic movement in general, and that is a movement which—

The CHAIRMAN. What is that word you used?

Mr. McCORMICK. Chemurgic.

The CHAIRMAN. How do you spell it?

Mr. McCORMICK. C-h-e-m-u-r-g-i-c. That is just a fancy name for the industrial use of farm products.

The CHAIRMAN. It is a perfectly good word, although some of the dictionaries don't give it.

Mr. McCORMICK. That is right. I am sure many of them don't give it.

The CHAIRMAN. But it is recognized.

Mr. McCORMICK. That is right. Certainly, we feel that the industrial use of farm products, farm-grown crops, is one of the greatest potential fields for the betterment of farm conditions and farm life that there is. As you know, there has been a certain amount of movement in that direction, but I don't think that any of us can but feel that the thing has just started. The future effect of technology, chemistry, and various different sciences cannot but be very great as time goes on. I don't think I need to enlarge on that, because others are more competent than I am to discuss the full scope of that question, but I think it is fair to say that there has been a healthy growth over the past 15 years, and I think that growth is increasing in size.

Mr. MURDOCK. You are engaged in the mechanization of the farms of America. It has been mostly the large farms heretofore, but there will come a time when small farms will be mechanized.

Mr. McCORMICK. Very greatly.

Mr. MURDOCK. And that will mean an increase in productivity.

Mr. McCORMICK. That is correct.

Mr. MURDOCK. And unless we have a sort of safety valve, as the one you are suggesting, we will be apt to have these great surpluses.

Mr. McCORMICK. That is correct, with the added comment, too, that with the improvement, invention, and design of smaller tools, we may hope also that we may operate smaller farms profitably. I am coming to that a little bit later in the paper, but that is a very important point.

The CHAIRMAN. Will you pardon an interruption at that point? When you use the word "production," do you think another vital word to the farmer is "consumption"?

Mr. McCORMICK. Of course I do; you can't have one without the other. They belong together.

The CHAIRMAN. And the more we have of both, the higher our standard of living and the more things people may enjoy?

Mr. McCORMICK. Definitely. The two things go hand in hand.

The CHAIRMAN. I think we should always keep that in mind.

Mr. McCORMICK. Shall I continue?

The CHAIRMAN. Yes; proceed.

Mr. McCORMICK. Second, as to the prospective changes in machine use and technology and the effects of these on agriculture, I can say to you, first, that I am sure the post-war period will see many new and different farm machines as the result of engineering advances. I know this is true with respect to the Harvester Co., and I would be very much surprised if it were not true also as to our competitors.

In my opinion, the outstanding result of this technological progress will be to give the small one-family farm every advantage available through mechanical equipment to the larger farm. It was true before the war, and is true today, that the large farms and medium-sized farms of the country were operated largely with mechanical equipment. It is also true that at the present time there exists farm machinery adapted to the needs of many of the small farms of the country. But, unfortunately, there are still areas of the United States where relatively low farm income and small acreages under cultivation have restricted the use of machine power. It is to those localities and to those little farms that we hope to be able to bring the benefits of power farming, with equipment of a size and price adapted to their needs.

Before the entry of our country into the war, our engineers had been working on many new developments in the design of farm equipment and our other products, such as motortrucks, industrial power, and refrigeration equipment. Work of this sort, of course, was almost entirely brought to a halt by wartime tasks. More recently, the progress of war production and the termination of some of our larger war contracts have enabled us to resume development work on some, although not all, of these products.

Some of the machines, which may well be regarded as post-war machines, are already in limited production. They cannot be produced in quantity now because of necessary wartime restrictions on materials, manpower, machine tools, and plant construction.

Typical of these machines are the new automatic pick-up hay baler, the self-propelled combine, and the cotton picker. You may be interested in a little description of them.

The pick-up hay baler makes a one-man job of what has usually been a four-man job, the baling of hay. This makes it unnecessary for the farmer to draft his family for field work on the hay crop or to make arrangements for work sharing with his neighbors, and also makes it possible for him to handle his hay crop at just the right time to get the best results. In most cases, the baler will eliminate the use of two other machines.

The CHAIRMAN. Will that be produced at a cost at which the smaller farmer can afford to buy it?

Mr. McCORMICK. It will eventually, Congressman. At the present time the price, due to the limited number of machines and its novelty, is not as low as I am sure it will be later.

Mr. VOORHIS. May I ask this, Mr. McCormick: Isn't the formation of cooperatives for the joint purchase of some of these machines an important factor in making them available to small farmers?

Mr. McCORMICK. For the manufacture or the distribution, Mr. Voorhis?

Mr. VOORHIS. To make them possible for the small farmer to use. In other words, you may have a machine that a single farmer could not afford to buy, and where it would not be economical to keep it on a single farm all year and maybe only use it a week or so, whereas, if you could get a dozen farmers together to purchase it and own it cooperatively, it might be practical.

Mr. McCORMICK. You mean a cooperative in the sense of the use of the machine itself?

Mr. VOORHIS. Yes.

Mr. McCORMICK. I think in regard to certain machines that is a very good idea, and I think in regard to certain machines that will be the way, and should be the way, in which it is first introduced. I have in mind, for example, a subject we will come to in just a moment, if I may digress, such a machine as the cotton picker.

Now, that is a pretty big and complicated machine. It is a very difficult and technical job to pick cotton by machine.

The CHAIRMAN. The same thing is true of the corn picker.

Mr. McCORMICK. Yes, farmers share corn pickers, and, of course, there is nothing new in one sense in the cooperative sharing of machines. We have the old threshing ring, and things of that kind, where it really was the cooperative sharing of a machine in a way. So, Mr. Voorhis, I think it is entirely true in regard to certain of these machines, the cooperative use will be a very desirable thing.

The CHAIRMAN. That will mean, of course, increased production, too, won't it?

Mr. McCORMICK. Increased production on the farm?

The CHAIRMAN. That is right.

Mr. McCORMICK. Well, the use of the machine in itself does not, I think, necessarily increase production. The thing that would increase production, as I see it, is your soil-conservation program, your intelligent crop rotation, your fertilization, your better seed, your better use of manure, and other things like that.

The CHAIRMAN. I agree with you on that.

Mr. McCORMICK. That is what increases the yield.

The CHAIRMAN. But, still, the farmer who gets a small tractor is going to make a bigger cotton crop or corn crop than the man who makes a cotton crop with a mule and double shovel plows, as is done in certain sections of the country.

Mr. McCORMICK. I think that is right. The intelligent use of machinery should yield better crops.

Mr. VOORHIS. It will give increased production per man, and it will reduce the cost, perhaps?

Mr. McCORMICK. In other words, the use of machinery is only one method of increasing the yield per acre, but the use of machinery is the essential thing in increasing the production per man.

Mr. HOPE. It will save crops that will not otherwise be saved. The hay baler is a very good illustration of that.

Mr. McCORMICK. That is right. In other words, the use of machinery, properly designed and properly used, will lend a timeliness to the farm operation which is not possible otherwise.

The CHAIRMAN. I was raised on a farm in Missouri, and, as I recall, it was a laborious job to get hay into a hay baler. We first went out and cut our hay, and then we went out and what we called shocked it in nice, round shocks that would turn rain, and sometimes stand there for days. Then we would haul it into the barn or rick and stack it. That was another laborious operation. Then, sometime that fall, somebody would bring in a hay baler, and we would pitch it out of the barn or off the rick.

Mr. McCORMICK. That is the typical method.

The CHAIRMAN. Those are the distinct operations we went through to get a bale of hay.

Mr. McCORMICK. This new machine is much simpler and lighter than old-type balers. It is pulled by a farm tractor. It travels along the windrows of hay, gathers up the hay, presses it into a rectangular bale, with each charge sliced into sections for easy feeding to livestock, binds the bale automatically with heavy twine, and expels the completed bale. It will handle from four to six bales a minute. The pick-up baler also provides the first practical method of gathering and baling the straw from threshed grain in a field which has been harvested by a combine. Baled straw has both farm and industrial uses.

Mr. HOPE. What are your prospects during this coming year for the production of these balers? I ask that because I don't think there is anything farmers have asked me any more about than hay balers. I am very much interested. The production has been very small.

Mr. McCORMICK. That is right, it has been. As you know, there are at least two of our competitors who are now putting out a similar type of hay baler, a pick-up baler. As far as we are concerned, we only put out a handful in 1944, that is all we were able to put out. We are going to increase that for next year, in 1945, but it won't be nearly enough to satisfy the demand. It can't possible be. The question of manpower, principally, makes it impossible to do more right now.

Mr. MURDOCK. May I ask a question about the mechanical cotton picker, but before I ask that, I want to say of all the machines mentioned here as being able to save crops by getting at them at the right time, I think none surpasses the mechanical cotton picker. A lot of cotton is ruined because it isn't picked, or it is lowered in grade, in quality.

Mr. McCORMICK. That is right.

Mr. MURDOCK. Are you manufacturing a mechanical cotton picker?

Mr. McCORMICK. We are on a very limited scale. We put out some 15 machines, I think, this year, which one could call mostly of an experimental nature. They were put out, in fact, by our engineering department, not by our regular production department.

Now, for next year we hope to be able to get out an increased number, but still in absolutely inadequate number. The main reason we can't get more out next year is we simply have no plant capacity or machine tools we could do the job with.

Mr. MURDOCK. Do you know whether any of your machines are being used in Arizona on the long fiber cotton?

Mr. McCORMICK. Yes; there are at least one or two there. At Phoenix, I understand, we have four.

I might say we have experimented many years at Phoenix. The Mississippi Delta, the Arkansas Delta, southern California, and Arizona have been the four main places for experimental work.

The self-propelled combine, or harvester-thresher, is an important development. At present our machine is made in only one model, having a 12-foot cutting width. As you know, conventional combines are drawn by a tractor, and a conventional combine of the same capacity as our self-propelled model requires one man on the tractor and another on the combine. The self-propelled machine offers the advantages of one-man operation, lower fuel costs, and greater flexibility in field work. In addition, of course, it frees the tractor for other work.

I know all of you have heard of the mechanical cotton picker, and some of you may have seen the machine at work. Our picker is the result of more than 40 years of engineering work. It offers mechanical power for the harvesting of the most important American field crop which is still harvested laboriously and expensively by hand. Moreover, it completes the mechanization of cotton production, since all other steps in growing cotton can be and are performed by machines. If American cotton is to compete successfully with foreign cotton in world markets, or compete successfully in the American market with competitive fibers, the costs of cotton production must be reduced. The cotton picker can make an important contribution to that end.

Speaking roughly, the machine will harvest in a day about as much cotton as could be picked by from 40 to 50 average hand pickers. You may be interested to learn, too, that we are experimenting with smaller cotton pickers to be powered by small tractors.

Mr. Chairman, that is the end of my cotton picker paragraph.

Mr. COLMER. There are just one or two things I want to talk to you about briefly. First, is this the Rust picker?

Mr. McCORMICK. No, sir. Our picker is our own development. As I said, we have been striving to perfect a cotton picker for a great many years. As you can well appreciate, it is about the most difficult mechanical harvesting job there is. The cotton plant itself is a very complex thing. The bolls don't open all at the same time, as you know. The cotton varies in amount of leaf and size of stalk, in dryness, in greenness of leaf. You encounter so many conditions that it has been a very, very difficult problem to solve.

Now, over the years, of course, many other people besides ourselves have been working on the problem. Rust Brothers is one group of those who have been working very conscientiously over a great many years. Now, we understand, I think it is a fact that the Allis-Chalmers

Co. have associated themselves with the Rust Brothers, they are working on their ideas. Deere & Co., I understand, have associated themselves with a picker called the Berry picker, and they are going to carry on experimental work along those lines, so you will see a great deal of experimentation and improvement as these next years go by.

Our machine is the result of having done our best to survey the field over a great many years, pick out the best things that we could in our own development, and it is really our own machine.

Mr. COLMER. You feel, Mr. McCormick, the cotton picker is here to stay? You think that much progress has been made?

Mr. McCORMICK. We do. In other words, we made the statement about 18 months or 2 years ago that we felt that the cotton picker was a commercial product. By that, we meant that it was a machine that could go at the present time into the field with only a reasonable degree of trouble or breakage or what not, that it could be manufactured at a cost that was economical. That is about what commercial means.

Mr. COLMER. It might be interesting, at least to me—you speak of 40 years of experimentation. I recall that my father, about 40 years ago, lost what little capital he had accumulated trying to help develop a commercial cotton picker. I don't know what the principle was, but I remember that one was on the old suction basis.

Mr. McCORMICK. Yes; that was tried in many forms, vacuums and such.

Mr. COLMER. Of course, this would have a tremendous effect upon the economy of certain sections of the country, particularly the South.

Mr. McCORMICK. That is right.

Mr. COLMER. I don't mean by that that I question the wisdom of it, but I am just viewing the effect upon the economy of that section. Now, out in Mr. Zimmerman's country and up in the Mississippi Delta and up in Mr. Murdock's country, where you have broad plains, I can well see how it would work very effectively and be a boon to those large producers. When we get down into the hill sections where a large portion of the cotton, after all, is produced, these small farmers are not going to be able to purchase them. Whether we would be able to work out some cooperative basis or not for them to purchase them would be another question. Then the question of operation on these small farms, whether it would be economically profitable—

Mr. McCORMICK. There are two points there. There are two reactions to that. One is the possible cooperative use, and the second one is that we are also working on a picker which would go on a smaller-sized tractor, in other words, a picker that we could produce for less money than the big picker for the high cotton. Those are two possibilities that might fit in to what you are referring to. Of course the way, if I may say so, that we look at the part of the cotton picker in the general economy of the South, is that the cotton picker is only one factor in a very broad series of changes that are evolving throughout the South today, that you are more familiar with than I am.

Mr. COLMER. Quite true.

Mr. McCORMICK. I think it is generally being recognized that the old thought of cotton on small plantations or farms as a one-crop

source of income is not something that can exist economically. That has been pretty well proved. Your whole Southeast is trending in a broad way toward diversification, toward rotation of crops, toward soil conservation, toward a greater amount of livestock on the farms, and personally, I think that is the healthiest and soundest thing that could happen. I think that it is a splendid movement.

Now, in other words, there are great things going on at the same time the cotton picker is coming along, and we have the feeling that the cotton picker may be an answer to and fit into some of these developments, rather than being a great cause of change.

Mr. COLMER. It possibly may. I just wanted to get your views on that particular thing.

Mr. McCORMICK. We hope it will fit into these great, broad changes that are occurring in the South in a way that will help the general economy of the South.

The CHAIRMAN. I would like to make an observation there in answer to Mr. Colmer's question that it would disturb the economy of the South. I remember in our section of Missouri, when men cradled their wheat, the farmer would go out and engage 6, 8, or 10 men to cradle wheat, and that was hard work. They paid them a certain stipulated sum, and these men looked forward to that employment. I remember that my father was one of the first men to buy a binder in that country, and those men complained bitterly. They said, "You are taking away our means of livelihood." The same thing happened, I remember, about these combines.

Mr. McCORMICK. Exactly.

The CHAIRMAN. When we raised wheat out in Missouri, we would cut and shock it, and then after we let it cure, we would stack it, and then, sometime that fall, a threshing machine would come through and do all the operations.

Mr. McCORMICK. It did away with the itinerant harvest crew.

The CHAIRMAN. That is right. But it hasn't interfered with the social life of that community; neither did the binder interfere with it.

Mr. McCORMICK. It was a change we adapted to.

The CHAIRMAN. But I contend that progress never interferes with the healthy social life of anybody.

Mr. COLMER. Of course, the same thing happened back further than that when they introduced the spindles in England. It may have an effect on some social problems, too.

Mr. VOORHIS. Mr. McCormick, I would like to ask you, in the case of this cotton picker, do you think it is even conceivably possible that the average small farmer in the South can individually own one of these cotton pickers? In other words, isn't this a case that follows up the question I asked awhile ago where it is absolutely certain that either groups of these little farmers are going to own these things co-operatively or they are just not going to have them? What the practical result will be is that the growing of cotton will go over to big farms in the most-favored sections of the country and the little farmer will just not be able to compete?

The CHAIRMAN. May I just answer that question? I think that out of my experience I can answer that. I recall when the binder made its appearance that in a few cases they bought it together. In many cases, the small farmer who would have, say, 40 or 50 acres of wheat—it wouldn't take long to cut his wheat—and the neighbor with

a small crop of 20 acres, who didn't have a binder, would wait. The man with the binder would cut 150 acres of wheat in that community for hire, and they relied upon it, instead of going back to the old method. So I think that is exactly what will happen with the cotton picker. They can either form a cooperative, and certain limited groups of men will own it together, or put it out to hire.

Mr. COLMER. They do that now with tractors with small farmers in my section.

The CHAIRMAN. I don't think there is any danger on that score itself. I think this thing will solve itself.

Mr. McCORMICK. I think the cooperative, Mr. Voorhis, would be one answer to the question. I don't think it is the only answer. I think what these gentlemen have said is true, that you will get the case of a custom operator, you will get the case of a man doing work for his neighbors and then the neighbors exchange some other work, like we do in filling silo, and things like that. There are those common farm practices. Then I think there is another aspect that we must take a look at, at the same time we are considering that effect; that is that I believe it is a fact that the areas of the heaviest per acre production of cotton, by which I mean the Mississippi Delta, the Arkansas Delta, the Arizona region and the southern California—

The CHAIRMAN. And don't leave out Missouri.

Mr. McCORMICK. And we will put in Missouri, too. It so happens, I think the individual acreage is larger, generally, than in the Southeast, for instance. I think it is also true that not only are the acreages larger in those regions, but the per-acre yield is also larger, due to the richness of the soil. Your Delta, of course, is a rich crop-raising area. You can raise any crop you want in enormous quantities. We know of the conditions in the Southeast, where a great deal of the soil needs replenishment, or soil conservation measures. So, whether you have a picker or not, the cotton on the whole is not going to be as good.

Now, I think that whole situation must be borne in mind in looking at this question of small or large farms. If I wanted to guess, and I hope not to guess too much today, but if you just want an offhand guess, I would say that in the Southeast you are going to see a continuance of this trend of diversification with less and less cotton grown.

Now, that in itself will begin to take care of some of the problems you are referring to, and I would like to point out the principal reason for that will not be the cotton picker, but the trend toward greater diversification. Then, I think, you will see a continuance of the growth of large quantities of the cotton in the Deltas and in the other regions I mentioned, and I am hopeful that land holdings in those areas can come down in size. In other words, we can go toward smaller farms than the present farms on an average, and I think that will be possible by the use of mechanical equipment.

Now, if we consider those large areas, those large cotton-growing areas, we must bear in mind that on the larger plantations of those areas you will need more than one picker. One picker won't do the whole job. They will have to have several pickers. That implies, naturally, that there is an economically smaller limit on which you could use one picker, for instance.

Now, that is just the trend of our thinking. As we see it, the cotton picker is going to have an effect on Southern agriculture and Southern economy, but it is a concomitant of other developments and not the sole development. That is the way we see the picture.

Mr. HOPE. I would like to ask a question. Isn't this generally true, however, that the mechanization of agriculture has brought about a trend toward larger operational units? It certainly has in the wheat area, and I think here in the Corn Belt it has brought about a larger use.

Mr. McCORMICK. Don't we have to think of the answer to that question in a little bit of a historical sense? There is no question but that taking from the middle of the last century until, say, 1925—let's take 1930; I think that is a little better date—mechanization, or the use of machinery on farms, was conducive toward larger farms. I think that is true. In other words, naturally one man with a machine could handle very much more acreage than one man with your cradle, so the natural development was toward larger farms.

Now, I have a feeling that there has been a reversal of that trend during the thirties, and I think that is continuing now. I don't mean, by that, that there aren't still large farms. I don't mean to say without exception all farms are smaller; but I have a very distinct feeling that the trend is again toward the smaller farm, that is, the family owned, family operated farm, which is a sound economic unit and a sound operating unit with present machinery, and, as I am coming to a little bit later in the paper here, we want to play as large a part as we can in providing equipment so that the smaller farm can be as economically run as the larger farm.

Mr. HOPE. My observation has been, in the plains country particularly, there is a sort of leveling process going on. The larger farms, maybe, are being broken up, and the smaller farms are increasing somewhat in size.

Mr. McCORMICK. That might be, that could be.

Mr. HOPE. In eastern Kansas—I happen to live in western Kansas, where our wheat farms are quite large, and most farms to be considered a good operating unit for a wheat farm, are, perhaps, two sections of land. They have a big tractor and combine outside, and they summer plow a part of their lands, and they will have, perhaps, two-thirds of that in crops. They consider that as an economical operating unit.

Now, you go down in eastern Kansas, and the combine has more recently come into use. They have these little combines, which work very well. But I notice there a farmer who only had 50 or 60 acres of wheat before might be renting an additional quarter of land and putting out some more wheat in order to get the maximum use of that combine, but if you go out in the west, some of the larger farms are being broken into smaller units.

I am glad you are going to touch on that matter of machinery for the smaller farms, because it seems to me that is really the answer to it. There is one of your competitors who has done quite a bit of advertising along that line. I am referring to the Ferguson people. Sometime ago they conducted a demonstration in Washington to which they invited some Members of Congress. I was really amazed, and no doubt if we went through your plant we would see the same thing, but I was really amazed at the number of small tools of various kinds which they had and which could be operated with a small tractor. So you could take a very small farm, a diversified farm, and get all these different gadgets and mechanize the whole thing.

It seems to me that is one direction in which we can very profitably go, and one that will meet this situation Mr. Voorhis is talking about, and one which I think concerns everybody, because we don't want the little farmer off the land.

Mr. McCORMICK. Definitely, Congressman. I can say to you unreservedly that the whole thinking in our company and our whole planning for the future is along the line of the social and economic value of the family-sized farm. We feel that very strongly. We believe in it, and we are designing to the best of our ability equipment which will fit that.

Now, of course, if you will remember, our company, back in 1924, brought out the first tractor that could be operated in row crops. Before that time the tractor had simply been a power implement to pull something. After working a great many years on the row-crop type of tractor, we evolved the Farmall. That was about 1924.

Now, that tractor was the opening wedge for bringing mechanization to the Middle West and the South, the row-crop areas. Since that time, I say our whole effort has been toward putting more on the tractor and pulling less behind. Now, putting it on the tractor means that you do away with your wheels, your axle, your frame, and your hitch. Therefore, little by little we should be able to reduce the price and the cost of a similar implement, because there is less of it.

A part of that whole movement has been the effort to get smaller tractors. Now, I believe it was in 1934 that we came out with a tractor that was at that time the smallest tractor. We called it the F-12. That was a smaller tractor than we had ever built, and I think it was a smaller tractor than anybody else had ever built, and one of the principal reasons was just what we are talking about. Shortly after that, Allis Chalmers came out with an even smaller tractor. That was not a three-wheel type, it was a four-wheel type tractor. It could only cultivate one row at a time. That was at that time the smallest tractor. Since that time we have come out with what we call the A type tractor and the B type. The A is the four-wheel and the B is the three-wheel.

Since then Ford and Ferguson have come out with their smaller tractor and tools that go along with them. I do want to stress that. I am coming to it a little bit later. We are heartily in favor of that trend.

Mr. HOPE. I am very glad to know that.

Mr. MURDOCK. May I ask you one question? You may or may not bring it out in your paper later. Have all of these concerns you speak of, yourself and your competitors, provided for such a hitch that enabled the small tractor to get traction without tipping over, rearing up, and falling over backward, and that sort of thing?

Mr. McCORMICK. That question, Congressman, is one that I would like to answer off the record, but I will try to answer it in a way that it does not have to be off the record. It so happens that there was only one tractor that I know of which had a notorious reputation for tipping over backwards.

Mr. MURDOCK. I know that, and that was a competitor. I understand your situation.

Mr. McCORMICK. Our designers have been conscious, as any farm equipment designer is conscious, that in order to make a tractor safe to operate, you must balance its front end with weight; you must have

the proper type of gearing in the transmission and in the rear end; you must have your hitch at proper levels, and properly adjusted. All those things are absolutely essential. It is the exceptional tractor—I will put it that way—which, properly operated, can overturn backwards. Now, I don't care what tractor you have, you can take any tractor and tip it over backward if you do the wrong thing with it.

The CHAIRMAN. For the same reason that the finest automobile that has been produced can be turned over—

Mr. McCORMICK. If you run into the ditch—definitely.

The CHAIRMAN. And wrecked.

Mr. McCORMICK. Yes. But what we are talking about is a question of reasonable operation. Now, we have in all our tractor design, all our history, worked to build a tractor that was practical and safe, and we never have and never would design a tractor that we felt was anything else but that. The great effort to do that that is being made by one of our competitors on that score is simply for the reason that I mentioned before.

It is probable that one of the greatest effects of technological change in farm machinery will be manifested in soil-conservation work. Improved farming practices have been developed by the Soil Conservation Service which not only will help to preserve our topsoil but will aid in rebuilding its fertility. Many examples of the effectiveness of this work have been seen during the war, when acreage which had been retired from production and treated according to the recommendations of the Soil Conservation Service was returned to production and produced excellent crop yields for the war food programs.

One of the important phases of soil conservation practice is the construction of terraces for the control of erosion. In previous practice this terracing work was ordinarily done with heavy earth-moving equipment, such as large, crawler tractors and graders, which were not owned by most farmers and whose use involved considerable out-of-pocket expense.

In future, this work will be done by farmers, themselves, using standard farm equipment. Moldboard, disk, and harrow plows, for instance, have proved entirely satisfactory for such work. The importance of soil conservation has been in our minds in designing our new machines. It is our objective to make it possible for farmers to carry on an adequate soil-conservation program with the same tractors and implements which they use for other farm work.

We believe one of the factors which will profoundly influence the post-war farm is the great development which has taken place and undoubtedly will continue to take place in rural electrification. This development will affect the farm both as a place to live and as a producing unit. There will certainly be much greater farm use of all types of electrical equipment.

One important phase of that development, we believe, will be a great increase in refrigeration equipment on farms. With that in view, our company is preparing to produce and market in the post-war period a complete line of electrical refrigeration, designed to meet all farm needs. This will include zero-temperature refrigeration for freezing and storage of perishable foods, as well as refrigeration in the ordinary 38° household range, and combinations of both. The units will range in size from relatively small chests to large walk-in type refrigerators.

Adequate refrigeration on farms will save much food that is now wasted and should result, through better storage, in improved nutrition. Refrigeration equipment, like other electrical equipment, will be important also in making the work of farm women easier.

In connection with all these developments that I have sketched, I should like to speak one word of caution, so far as our own company is concerned. That caution is that not all these machines will be available in the first year after the war, or, possibly, in the second. Some of the machines still require a certain amount of engineering and field testing work. Others which are ready for production must await the construction of new factories or the retooling of existing factories before they can be placed in production. Consequently, we are not able to say just when all of the new developments will appear. I do believe, however, that by 5 years after the war the mechanical equipment in use by farmers will be different and better than the machinery they now have.

As to the effects of the new machines, I have already said that we believe they will bring power farming to areas where it is not now generally used. I have in mind particularly the Southeastern States. We believe the general use of more and better farm machinery will result in eventual increases in the earnings of farmers. The earnings of farm workers, as the National Resources Committee found in its study of technological trends and national policy, tend strongly to increase with the increase in power and machinery available for their use.

We believe a powerful factor in spreading the use of mechanical equipment to new areas may well be the return from military service of thousands of farm boys and men from those areas who have become accustomed while in service to the use of a great variety of mechanical equipment. Having seen what proper machinery can do in war, it seems probable that they will want the assistance of proper machinery in their peacetime occupations.

The war, of course, has emphasized and dramatized the importance of farm equipment, not only to city people previously unaware of it, but to many farm families. Without the mechanization that had taken place in American agriculture, our farmers could not have produced the crops necessary to sustain the war effort. On thousands of farms in this country, farmers and their wives or daughters, with the aid of machines, have carried on successfully despite the absence of the young men who ordinarily would do so much of the work. This has not been easy. It has meant that elderly people and very young people have had to work long, hard hours every day, and then, in many instances, turn on the tractor lights and work well into the night. The marvelous job that has been done is a great tribute to the patriotism and devotion of American farmers.

We believe the great majority of American farms, in the future as in the past, will be one-family farms, owned and operated by the members of the family with little or no assistance from hired labor. To these families, the continuing development of farm equipment means more profitable farm operation and an easier and shorter working day.

In our opinion, therefore, the chief result of technological changes in farm equipment will be to make the position of these millions of one-family farms more secure, to improve their ability to compete

with larger farms—in short, to make most American farms more efficient businesses and better places to live.

Mr. ARTHUR. We have had testimony before our committee to the effect that in American agriculture it is important to distinguish between the commercial farmers and the more than half of the farmers who operate essentially self-contained units, or so-called subsistence farms. I am wondering whether you can give us a few comments as to the impact of greater mechanization upon that type of operation? Will it bring the better or somewhat larger units of those now self-sufficient farms into the commercial farm category, and in that way, thinking only of the commercial farms now, enlarge the group of commercial farms and in effect reduce the average size of farms in commercial farming by bringing more of the small farms into that category? I just wanted your observations on that point, because I think it is one of the important things we have to face.

Mr. McCORMICK. Isn't that question rather parallel to what the Representative from Kansas was asking? You know American agriculture is such a large, tremendous, vast enterprise, and there are so many different individual circumstances that any flat statement, I think, one could not accept as of any kind of value. I don't doubt that in certain places large farms are going to get larger. I think that will happen in certain places. I don't doubt that as our Representative from Kansas has suggested, some of the smaller farms may grow somewhat. I think that would be natural. If a man found he could handle 20 or 40 acres more and make a little bit more money on it, I think that farm might grow.

I think, on the other hand, that we are going to find that with better farming methods, with soil conservation, with better planning, with rotation, with better fertilization, greater diversification, and with smaller, better, and less expensive farm equipment, the smaller farm is going to become profitable again. So I think that tendency is just as strong as any other tendency. I think what you are going to see is a natural development of our farm economy. But what I think important is that whether a family is operating 20 or 5 or 50 acres or 200 acres, it is a family operation, that that is the economic and the social unit.

Now, the part that we play in that is to try to provide adequate equipment to farm the different sizes of farms. I certainly wouldn't be bold enough to venture a prediction as to the whole picture, except to say to you that I can see no reason against, and many reasons for, a continuance and a strengthening of the family-sized farm. I feel that very definitely.

The CHAIRMAN. Let me get this point. Your idea in theory is that by this mechanization of farm operations and providing machines that will operate on a small unit as well as a large one, the whole thing just resolves itself down to what is an economical operation.

Mr. McCORMICK. Exactly.

The CHAIRMAN. And the family sized farm will be economical?

Mr. McCORMICK. That is the point I want to get to.

In Congressman Hope's western Kansas, maybe two sections, or a section and a half, or a section, is an economically sized farm. In eastern Kansas, it will be different, in Missouri a little different, in Illinois a different size, in certain parts of Mississippi a different size. To me, the question of exact acreage is not as important as the goal

that you are going toward, which I think should be the family sized farm.

Now, there may be a place for the large, let's say commercial, type of farm. I saw a moving picture the other evening of growing vegetables some place in New Jersey. Maybe that is good for consumers. Maybe that produces good vegetables economically, and maybe it provides jobs. I saw hundreds of workers in the factory, you probably know more about that than I do. Maybe that is all right for there. I don't think you are going to see a lot of that. I think that is the exception, not the rule, by a long shot.

I believe our experience—and I have gentlemen with me that could correct me if I am wrong in this statement—is a great tendency all over the country, not in the direction of commercial farming, but in the direction of individual farming. I believe that that is the trend in this country, and I think it is a healthy trend.

Mr. VOORHIS. I can say that any contribution your company can make in its research and development to reduce the cost of its farm machinery and to adapt it to the family sized farm will, in my judgment, be a tremendous contribution not only economically but also socially to the United States. Whatever the arguments in favor of large commercial farms from a purely economic point of view, from a social and, shall I say, political point of view in its broadest sense, that is not what we want.

Mr. McCORMICK. Definitely. I am most heartily in favor of that.

The CHAIRMAN. Any further questions?

Mr. McCORMICK. I want to express the appreciation of the committee for your coming here today and giving your time and this very informative statement on this big problem that we are trying to do something about.

Mr. McCORMICK. We are deeply appreciative of the opportunity, Mr. Chairman. I am glad to have been able to be with you today.

Mr. MURDOCK. Mr. Chairman, may I say, too, that I hope that some of those who have come with you will elaborate a little further on this matter of chemurgy and the part it will play.

Mr. McCORMICK. Would you like to hear it now, Mr. Murdock? We have with us Mr. Yerkes, who is very closely connected with the Chemurgic Foundation, and would be glad to answer any questions.

Mr. MURDOCK. That may break into the plan this morning. I further wanted to say that Mr. McCormick mentions having taken or used four cotton-picker machines in or around Phoenix. That is another case of your mighty good judgment, Mr. McCormick.

The CHAIRMAN. Mr. Yerkes, if you would like to make a few observations, we would be glad to hear you. We are trying to finish today, but we will give you an opportunity to present anything you think is pertinent to this discussion on this subject.

TESTIMONY OF ARNOLD P. YERKES, SUPERVISOR OF FARM PRACTICE RESEARCH, INTERNATIONAL HARVESTER CO.

Mr. YERKES. The chemurgic movement has been under way just about 10 years. It was originally sponsored by the Chemical Foundation. They put up the money at first, and Mr. Francis Garvan was the first president of the National Farm Chemurgic Council. On his death, about 1938, Mr. Wheeler McMillen, now editor of the Farm

Journal, became president. During the 10 years there have been very active efforts made to increase the use of farm products for industrial purposes to act as a balance wheel on farm-crop prices, so that the part of the crops that were not needed for food or feed could be used for industrial purposes, and also to switch a good-sized acreage from food and feed crops into industrial uses.

Of course, there is nothing new about that, because cotton has always been what you might call a chemurgic crop. That was primarily a fiber crop used for industry, although the seed itself had quite a large market for feed, and in recent months it is beginning to be used quite a little as food, because they have found the cottonseed meal contains a very fine protein.

Of the chemurgic crops that have really made a record, I might say the soybean probably stands at the top of the list. While that was first grown principally as hay, we soon found it had an oil that was very valuable for industrial uses. It could take the place of a great many imported oils, and the acreage has grown until we now have a very large acreage through the Corn Belt devoted to the soybean, which is probably 90 percent a chemurgic crop, I think today, counting the products that the mills turn out, both from meal and oil, and, of course, the farmer is still getting quite a little feed value out of it.

The leaders of the chemurgic movement have felt that the American farmer, if given the opportunity, could produce a great many of the crops that we have been importing into this country in very large quantity in years gone by, such as vegetable oils for soaps, varnishes, linoleum, and so forth, and that they could also produce starch, which has been imported from the East Indies and other parts of the world.

The sweetpotato in the South is looked upon by a great many of the leaders of southern agriculture as a wonderful possibility for a new crop down there which would use up some of the acreage that should be diverted from cotton, and it would give the South what they have always needed and never been able to produce economically, a good carbohydrate feed, because their corn crops have never yielded well. The soybean has never been developed to the point where it gave satisfactory yields, but the sweetpotato is really a southern crop and has a good value as a feed. It produces starches that will compete directly—by that I mean they are the same types of starches—as we have been getting from tapioca and sago, the principal imported starches.

We have, of course, been making a lot of competitive starches from corn, but the sweetpotato has a big advantage that factories can produce in hours from the sweetpotatoes quantities of starch that will take days or even weeks to produce from corn.

The CHAIRMAN. I am sure you are familiar with that new development in Iowa, that starch corn.

Mr. YERKES. I was just going to mention that. The waxy corn is almost a perfect substitute for the tapioca as a food starch, although the sweetpotato will also give you a substitute for a tapioca starch.

The CHAIRMAN. Are you familiar with this new milo or maize?

Mr. YERKES. Not particularly. I have heard about it and read about it. The whole Southwest has great possibilities in switching to some of those sorghums and different types of seeds that are drought resistant, that wait for rain and give much better yields than corn or soybeans.

Mr. COLMER. While we are putting in plugs for various sections, I take it you are familiar with the starch plant in Mississippi that the Government has been operating.

Mr. YERKES. Yes; at Laurel.

Mr. COLMER. It is in the experimental stages, down in my congressional district. They have made considerable progress and, as a result of the experimentation there, the American Sugar Refining people, I believe, are putting in quite a plant down in Florida just above Miami.

Mr. YERKES. Yes; they are beginning to harvest tremendous tonnages of sweetpotatoes, far larger than any ever obtained in Mississippi, or any of the other States, as far as that goes. It seems to be a natural development down there. The sweetpotato gives unusually high yields and it has this advantage: you can leave them in the ground for storage and run your plant about 8 months in the year, while in most sections, where we have gone into sweetpotatoes in the past, they have to come out of the ground before frost or freezing, and the storage is a big problem. So, as a result, they have only been able to run their plants for perhaps 3 or 4 months without quite a storage problem.

Mr. COLMER. Incidentally, do you think that is a worth-while program?

Mr. YERKES. I don't think there can be any question, in view of what the results have been so far. There is no question but this movement has diverted hundreds of thousands of acres from the old standard crops which the American farmer used to grow.

Mr. COLMER. And they are producing a product which we have been importing.

Mr. YERKES. Not only have they been importing, but they have been producing some of the critical crops we needed for the national defense. Some of us think we could have just as well been producing rubber and certainly all the oils for the Navy. The Navy, of course, has always insisted that tung oil was the best oil that they knew of. We were not producing much in this country, although there is quite an acreage down South that is suitable for it. We have just scratched the surface there in planting tung.

Mr. COLMER. Again plugging, the largest acreage of tung oil in the country is in my congressional district, and they are making progress with that. We have had a fight every year to keep this experiment going on. I just had a letter a few days ago from Marvin Jones advising me that we were going to have to make other arrangements for next year to keep that experiment station going. So I was particularly interested, aside from my local pride, in getting your views on that question.

Mr. YERKES. Tung oil still has great possibilities here.

Mr. COLMER. I had reference in that particular instance to starch experimentation.

The CHAIRMAN. I might call attention to the guayule and dandelion which we have learned, through experimentation, can produce natural rubber of a better quality than we get from the rubber plant.

Mr. YERKES. From South America and the West Indies. It could be grown in very large quantities in the Southwest with machinery, and it might have deserved a little protection. At any rate, we could

have been entirely independent of imported natural rubber, because we know we can produce it.

There are other plants that have produced even more favorably than guayula. There is a shrub growing over the line from Texas that they could produce in Texas and the Southwest that is a far better rubber producer than guayule, and they have found a shrub which is quite superior to tung, which up to now has been considered the very best grade of drying oil. This new shrub has a very high yield and gives excellent quality.

Of course, the chemurgists feel the American farmer should be given a chance to enjoy whatever of the American markets he is competent to serve, and that from a national standpoint we are a lot safer when we can be raising these critical defense materials, like tung oil and rubber, and a great many of the others, rather than to try to build up stock piles to carry along here in peacetime, and then when the emergency comes, the stock piles, lots of times, are inadequate, or there has been some spoilage, while if the American farmer is acquainted with the production of those crops, he can expand them very rapidly and it makes us entirely independent of these outside sources that we now know can be easily cut off.

Mr. MURDOCK. What about safflower oil?

Mr. YERKES. That has received a great deal of attention from the chemists and oil people and oil users, particularly.

Mr. MURDOCK. Does it have a favorable report?

Mr. YERKES. Quite favorable, although it was not equal to flax in quality or yield in some sections. There has been some difficulty in harvesting. It grows well in several parts of the country but we don't know very much about harvesting it with the combine. Of course, there has not been enough grown in this country to get much experience with it.

The CHAIRMAN. That will be the job of the McCormick people, and others.

Mr. YERKES. Just as soon as there is indication that it will be grown in quantities.

Mr. HOPE. Right at that point, I would like to ask a question. The limiting factor in development of a lot of these crops you have mentioned has been the question of cost, has it not? That is, in getting the production cost down to where we would compete with the products which are already in use.

Mr. YERKES. That is true. If we have to raise them with the same methods, with our standards of wages, we could not compete without tariff protection, but when we can grow them with machinery in competition with the labor in the East Indies and Asia, we have done very well on a competitive basis, and usually get a much better product.

Take the tung oil that we produce in this country—we produce a much higher grade of tung oil; it is cleaner down South. It has not been contaminated with dirt, and perhaps a little deliberate contamination, so that the paint and enamel people prefer the domestic tung oil on account of the higher grade.

We have had a number of cases in the past, where we have shown that we can produce crops at a profit to the American farmer, with machinery that formerly were imported from areas where they have very cheap labor.

Take rice: At one time before we started using mechanical equipment in the production of rice, we imported practically all of it, because the American farmer just couldn't make any money at it. But then we started using modern equipment to raise rice that we had been importing for years. We have been importing large quantities of rice from Asia and the parts of the world that used to ship it to us used labor with about one-tenth the rate of pay that our farmers pay.

Mr. HOPE. Then I take it you feel pretty optimistic about the chance for getting production costs down on most of these products to a competitive basis, do you?

Mr. YERKES. In a great many cases, definitely, yes. There are some of these plants, like ramie, for instance, which produces the finest fiber anybody knows about as a natural fiber, and perhaps better even than any of the synthetics, but it is a shrub that grows in clusters and should be harvested several times a year. So far as I know, no one has ever tried to develop a machine that will harvest that. It probably can be done. If it could be done, then we could undoubtedly get ramie down to where it would be a competitive product, because it is so marvelous; eight times as strong as cotton; and far stronger than any other fiber we know about. It makes a cloth that is almost impossible to wear out, so it should be available to people who have uses for it, but it probably won't be available in any large quantities until the mechanical equipment is developed for its harvesting, particularly. We can plant it pretty well with machines and the cultivation would be done by standard cultivating equipment; but the harvesting is one problem right now which has not been solved. But if there was encouragement to American farmers to grow that, and a great many other crops, the engineers in the equipment industry certainly can produce the equipment to perform these operations, I believe, because most of them look much simpler to a layman than developing a cotton picker.

Mr. HOPE. When we are thinking about this question of chemurgy, synthetics, and that sort of thing, we have to take into consideration always that the development of some of these things is probably going to interfere seriously with existing crops. I am thinking of rayon and cotton now.

Mr. YERKES. As I said in the beginning, this is a big subject that you cannot very well cover here in just a short discussion. As the chemurgic advocates see it, there are going to be certain jobs for these different fibers. Nearly every one will fill one particular purpose better than any of the others.

Now, up until rather recently there was no effort made to produce cotton that was especially fitted, we will say, for automobile tires. One of the boards of governors of the Chemurgic Council, Mr. D. Howard Doane, who is head of the Doane Agricultural Service, at his own expense started breeding cotton. He went to the tire people and asked what they wanted in the way of cotton for tires, asked for specifications. They actually did not know. They had just been sampling cotton and picking out cotton that worked pretty well, but they couldn't tell him just what they needed.

After his inquiry they got busy, and then they did lay down specifications.

He started breeding cotton to meet their specifications; and he met them and got quite a premium for his cotton.

Now, I do not think there is much doubt but what cotton can be developed for a great many special purposes like that. Perhaps we will see the time when one section of the country will have the farmers raising one variety of cotton that is particularly adapted for, perhaps, tires; if they can hold their own in tires or this, that, or the other purpose, and farmers in another section will raise a different variety of cotton that has been bred up for some other particular purpose. They will get a premium for such cottons, because they are ideal and the growers will be entitled to a little premium, because they have gone to the expense of keeping this variety of cotton pure for this particular job. That may not be done, but it looks logical. Perhaps ramie will fit some other particular purpose.

I am rather inclined to believe that some of these farmers, who are on small acreages that have been mentioned here, who may not be able to use the cotton picker to advantage, might be able to switch to some of these special varieties of cotton that are developed and which are not going to be used in large quantities, and by hand picking and getting the highest possible quality of the type of cotton that is especially valuable for some use, may be able to hold their own under those conditions.

I think there are other similar cases which could be mentioned with other crops, like the starch plants. I think some sweetpotatoes will be able to produce a better variety of starch than others. We will have farmers in one part of the country where the soil is right to, say, produce for mucilage; and another group over here where conditions may be different who will be producing sweetpotatoes where the starch will compete with tapioca, and even for feed.

Mr. COLMER. On this ramie, is that being produced commercially?

Mr. YERKES. I would not say commercially. There are a few people in Florida raising small quantities of it. There is some in the Southwest on experiment stations. There is some growing here and there.

Mr. COLMER. Was it produced commercially any place?

Mr. YERKES. Well, India and China and Egypt have always grown some. It is known as China grass, and the ladies who are interested in fine linens know the China grass fabrics. As I said, they are very, very durable. You can hardly wear them out, even under hard service. There was always some of that on the market. It has been produced entirely by hand, and the fiber is taken out by hand; so it sells at a pretty high price, but it makes a very fine piece of material.

The CHAIRMAN. If the Chinese find out how to produce that in great quantities, they might be a very strong competitor.

Mr. YERKES. They have raised it for centuries. In fact, the clothes that were found on a great many of the Egyptian mummies, especially those of the royalty, were made of ramie.

Mr. MURDOCK. King Tut had one.

Mr. YERKES. It lasted in those tombs down to today, and it is still in a pretty good state of preservation.

The CHAIRMAN. I want to state that we greatly appreciate your statement. I am sure you could talk to us here for hours on this interesting subject.

Mr. YERKES. I could.

Mr. MURDOCK. Mr. Chairman, if the gentleman would care to extend his remarks for our record, I think it would be fine. I think

Mr. McCormick and you, Mr. Yerkes, have touched on a mighty vital matter. You speak of a balance. As a safety valve, we have got to turn to industrial uses, or we are going to have a surplus of food for human and animal consumption; that will bring about the same difficulties we have had formerly.

Mr. YERKES. Might I suggest that perhaps Mr. McMillan, who is president of the National Farm Chemurgic Council, can give you some information on it.

The CHAIRMAN. Is he here today?

Mr. YERKES. No. His headquarters are in Philadelphia.

The CHAIRMAN. Maybe we can hear him later.

Mr. YERKES. He would be able to give you some valuable information.

The CHAIRMAN. We certainly do appreciate your appearance, along with Mr. McCormick.

Now, Mr. Hull is here, representing the Indiana Farm Bureau Cooperative. We would be glad to hear from you, Mr. Hull.

TESTIMONY OF I. H. HULL, MANAGER OF THE INDIANA FARM BUREAU COOPERATIVE ASSOCIATION

Mr. HULL. To begin with, I want to agree with about everything that has been said here today, especially the reference to the need for the family-sized farm, and I hope to give our feeling as to one of the ways that we can perpetuate that family-sized farm.

The problem, as we see it in our organization work with the cooperative of agriculture, has been pretty largely built up by the fact that agriculture could not follow the same trend that industry did during the period of the industrial revolution. I mean by that, that the International Harvester Co. or the old Studebaker Wagon Co. could organize, bringing together all of the local blacksmiths that used to make wagons, and they would have a three-department set-up, a purchasing department, a production department, and a sales department, and all in the one corporation, without any business transactions between those different departments.

The farmer could not do that, and still retain his 6,000,000 units, the family-sized farm, so, as a substitute, the closest he could come to it was to create the device of his cooperative, continuing to produce as an individual, and combining his purchasing power in his own purchasing department, a part of his business, through the cooperative organization, and then set up a sales organization to dispose of his product after it was produced.

Of course, that brought about several problems. It was not very long until people recognized, as soon as the industrial revolution began, that a lot of people who formerly worked on the farm or in these local communities would have to migrate to the industrial centers to build up the large city where production could be carried on in large and more economical units.

That began immediately to impose quite a little burden on the farm, and later we learned it was more serious than we had originally expected.

The farm had to contribute a great many of the youth that had been reared and educated in the rural community to the industrial centers, and those children, those farm people that migrated to town, took with them the inheritance that they had gained from their

fathers. It was not very long until the more prosperous farmers themselves, as they began to approach old age, would decide they wanted to move to town, and they would take a good share of the wealth of that local community to the city with them.

That thing became more important when a few years ago we began to recognize that the population in the cities is not self-sustaining. In other words, the figures they gave us—I think it was in 1935—were that 10 parents on the farm had 14 children, the second generation would have 20, and the third generation 28. The 10 parents in the cities, in the larger urban cities, reared 7 children, the second generation had 5, and the third generation 3; 28, on the one hand, and 3, on the other.

Of course, it did not work out that way, because the surplus on the farm continuously migrated to the town, but the burden on that rural community is the point I am trying to develop here, of rearing and educating and training in each generation, a large portion of a personnel to man our industrial centers, and carry on that industrial program.

I am not going to make very much foreign reference here, but I have an idea that I have been following through in the last 10 years that I got from a visit I had in Denmark in 1934.

I was talking with the manager of the Copenhagen Cooperative. He had just been telling me that their tenancy trend had gone from where it had been, up around 45 percent, back in the beginning of the century, until in 1934 it was less than 8 percent, while in this country, as you men know, the trend had gone exactly the opposite. I think the figure they give us is about 25 percent in 1880, and that has gone up to about 45 percent in 1935.

I asked him what, in his opinion, were the reasons for that change, for their getting away from that trend toward tenancy. He gave four things as the reason. Being the manager of a cooperative I expected him to emphasize that thing, and he mentioned it, but he did not say that it was even the primary reason by itself. It was important as connected with the other things that he mentioned.

He mentioned the fact that they had given cheap money to the purchasers of farms so they could buy farms and not have a high rate of interest. But he said, "Both of those things together, the extra saving from cooperatives, and the cheap money would not result in keeping or stopping the tenancy development." He said he knew the situation in Iowa, where the most prosperous community was the place where they were getting some of the largest tenancy problems. The farmer would move off as soon as he made enough money. He said, "The other two things we have done, are the rural electrification which has made farm life more livable and made it possible for farmers to develop a lot of these little neighborhood cooperatives to help themselves, and then the folk school, which deliberately went about the job of making farm community life more livable and more happy for the people."

He said, "I am looking forward to the time when I can move out of Copenhagen into one of these little rural communities and spend my old age in that atmosphere."

He just reversed the trend we have here.

We came back home, and we have already started several of our programs of action.

We have undertaken already to develop a lot of sentiment and a lot of practical programs for community development, by which we could, to a certain extent, decentralize some of these things that can be decentralized. We realize that a factory, like the International Harvester Co., will always be pretty largely a centralized program, but a lot of the service that goes with that can be decentralized, and we are even thinking that we can develop a program in a lot of our communities, and we are doing it, where they will assemble that machinery during the winter months and set it up. We have service programs out in the neighborhood that belong to those people in the community, and that is already working out very nicely.

Mr. VOORHIS. What do you mean by a service program, Mr. Hull? Do you mean servicing machinery?

Mr. HULL. That is right. We are employing good mechanics and giving them special training. We have neighborhood men who can weld castings and rebore cylinders.

Mr. VOORHIS. When you say "We" you mean the Indiana Farm Bureau Cooperative?

Mr. HULL. Yes; we have a central plant where we do the more intricate job, and then we get the local community to do as much as possible of it right in the neighborhood.

Mr. HOPE. Is that an arrangement whereby you employ someone exclusively to do that servicing, or do you use local people to devote part of their time to other work?

Mr. HULL. No. We are getting a number of our communities where they have a local crew of specialists.

Mr. HOPE. That is what I mean. They devote their full time to that type of activity.

Mr. HULL. That is right, and they are developing other types of community activities. We have just been talking about this chemurgy of the soybean. We, in Indiana, have spent the last 10 years developing a community soybean oil extractor. We first followed out the idea Mr. Ford began of trying to use hexane. That was dangerous, and we are now using trichlorethylene to avoid the danger of explosion. We have it working. Wherever we have the combination in a community of a feeding community and a bean-producing community, instead of shipping those beans out to some central separator, we do that right in the county seat where they are raised. The farmer hauls these beans in, and takes the meal back home and feeds it to the hogs.

I was very much interested in this tractor discussion. In some places our local community cooperatives are getting large-sized tractors, and in some places we are getting little cooperatives of three or four men, that buy one tractor.

Here is the economics of that thing. We are for the family-sized farm, but little farms must work together. Supposing you got one community where three men buy one-plow tractors, and another community where three men buy one three-plow tractor. In labor alone during the first 40 months of operation the fellow that has the big tractor will save \$6,000. In other words, that one tractor is worth \$6,000 more than the three little ones. Three small tractors require 2 more operators than the one large tractor.

For that 40 months, 2 men's labor at \$75 a month apiece, is \$150 a month, times 40 months, and you have a \$6,000 difference. That is pretty important from the standpoint of economy, and just one of the

things you can do by grouping people together in little cooperatives. They have to have the rules pretty well worked out, and there are a lot of problems to that, but it can be done.

Then there is one other phase of this thing, this development of the local community.

Mr. VOORHIS. Mr. Hull, let me interrupt you just a second. In this soybean development, for example, the processing of soybeans, who owns those plants? Do they belong to the State Indiana Farm Bureau Cooperative Association, or do they belong to a local cooperative of the local farmers in that country?

Mr. HULL. In that particular case, they belong to the Indiana Farm Bureau Cooperative Association, but they are operated by a local group on a little contract we make. The plan for centralizing in our State office was worked out by our local groups. It is so that the oil and the surplus meal can be merchandised in an orderly way and so that the local communities won't all come into competition with each other bidding for some outside market.

Mr. VOORHIS. I see. And how about the machine tractor servicing, and things like that? Who operates that?

Mr. HULL. The Indiana Farm Bureau Cooperative Association along with some other groups own the Ohio Blackhawk factory at Bellevue, Ohio, and we own our own tractor factory at Shelbyville, Ind., but the local service is owned and operated by the local county cooperative. So in that way we furnish them with their own line of machinery.

Now it is pretty important that as much industry as practicable be decentralized and brought right out to that community. We should bring as many boys back there to carry on those services as we can. We have a long list of services that we could discuss here but I do not think that is necessary. Then for those things that cannot well be decentralized and brought to the community, we are pretty interested in following through, as far as we can, a decentralized ownership. This farm machinery is one. The one we have developed perhaps further than any other in Indiana has been our petroleum service.

Now that worked out something like this: By the operation of that service on a cooperative basis they have taken over now and integrated, as all producing industry integrates, in a vertical way back into the production of the things they need. They have integrated to the place where now the farmers of Indiana own their own local service plants and their own trucks, they own their transport system, both the trucks that haul from the refinery, and the barge and tow boat on the Ohio River, they own their own refinery which they built new 4 years ago; they own their own oil wells and their own pipe line, so that now, as they operate their own petroleum business that they paid for out of the savings that they have been able to effect, as that operates now, the savings from that local cooperative come back to the farmer himself, the savings from the transportation system come back to him, the savings from the refinery all come back and belong to the individual that bought the end product, the savings from the pipe line and the oil wells all come back, to that purchaser. Every dollar of that profit in the whole industry at every step of the industry that it saved anywhere along the line comes back to the fellow that buys the end product.

Now that thing has become so tremendously lucrative, figured in terms of capital investment, that at a time like this it amounts to around 100 percent on the invested dollars annually. But that is not the important thing. The important thing is that we are getting pretty strong in our conviction that an economic system, whether it is post-war or any other time, to be on a sound basis must keep the purchasing power of the market alive, and, incidentally, we are very much interested in the post-war buying power of labor and our market for farm products. We are very much interested in that.

Compare what is being done here with the fellow across the street who operates a chain industry where the earnings from that local operation, are siphoned off, to go to some nonresident investors. The earnings from the transportation and the refinery and the oil wells, instead of staying there to build the wealth of that local community all leave it and the money spent for the product goes to some metropolitan bank never to return to the rural community.

In the very preservation of this family-sized farm it will require the development of as many local services as the farmer can bring to himself; it should bring about the development and preservation of the local community, as well as the family-sized farm, and that can be done by bringing back as many of these services as we can.

All over Indiana right now they are out trying to put in locker plants. It is one way to get rid of the seasonal surpluses, to use more of the product in those communities. The locker will be a place to put the surpluses when the market is glutted like it was this fall for a while.

Then we want to develop central cooperatives that will be owned and controlled locally, bringing back to our rural communities savings on the business that they create with their purchases.

MR. VOORHIS. Mr. Hull, I want to just go back a minute—first of all, explain to the committee what you mean by savings.

MR. HULL. A cooperative doesn't have profits. Savings is the difference between the price of an article and the cost of producing and distributing it.

MR. VOORHIS. It is the difference between the cost and the market price?

MR. HULL. The cost and the market price, yes.

MR. VOORHIS. Now, you said that the return to the Indiana farmer from the operation of his integrated petroleum production distribution and servicing system was 100 percent annually of the invested dollar.

MR. HULL. Just about.

MR. VOORHIS. Explain a little bit more what you mean by that.

MR. HULL. Well, I mean by that, money that he has invested in these oil wells, his pipe line, his refinery, and his whole transportation system is just about equal to the annual net savings that come back to him from the operation of that system.

MR. VOORHIS. In other words, the original capital cost to the Indiana farmers of their refinery, their pipe lines, their trucks, their barge line, their local filling stations, and everything else, is no more than the difference between what it actually costs them annually to serve themselves with petroleum products and what they would have to pay if they had to pay the going market price for those products?

MR. HULL. Yes; and that is not all of it. The fact that they have been in business has reduced the distribution cost from a local bulk plant out to the farm from 7 cents to about 3½ cents a gallon.

Mr. VOORHIS. Do you mean by that that it has reduced it from 7 cents to 3½ cents a gallon, no matter who performs the service?

Mr. HULL. That is right.

Mr. VOORHIS. In other words, the operation of this co-op has benefited not only the members of the co-op but it has benefited all farmers in that distribution area, regardless of whether they are members of the co-op or whether they buy their petroleum products from a co-op, or whether they buy them from a commercial handler?

Mr. HULL. That is right, and that is a much larger item than the remaining item of savings.

Mr. VOORHIS. It has reduced the distribution costs from where to where, by how much? Just repeat that.

Mr. HULL. Repeat what?

Mr. VOORHIS. What you said about the reduction of distribution costs.

Mr. HULL. Our operations reduced handling margins from 7 cents a gallon from the local bulk plant out to the farm, until now it is right at 3½ cents, about cut in two, since we have been in operation. We cannot say that we are responsible for all of that, of course, but it came pretty soon after we began paying some large patronage dividends.

Mr. MURDOCK. That is a new kind of yardstick, isn't it?

Mr. HULL. Well, it ought to be a sound yardstick. A group of people setting up in business just to help themselves. We feel we can go a long way toward bringing about a solution to the farm problem if we carry on more and more of these services ourselves.

Mr. HOPE. Let me ask you this question: The yardstick which you customarily use in making your charge for services is the usual or customary price or charge that others doing a similar service charge, is that right?

Mr. HULL. We aim to price everything we sell at the other fellow's price as near as we can get at it; yes.

Mr. HOPE. Of course, if you wanted to pay a smaller patronage dividend you could cut it down to less initially.

Mr. HULL. That is done sometimes, but we don't care to do that. It upsets business. We don't like to do it unless there is some special reason for it.

Mr. HOPE. Of course, if they start taxing patronage dividends, you might have to do that.

Mr. HULL. We may have to.

Mr. VOORHIS. Isn't that what you would do, and wouldn't the people who try to get the patronage dividend taxed be sorry if that happened?

Mr. HULL. There wouldn't be anything else to do. We would be under an immediate mandate from our members, because they feel there has never been any corporate earnings—there is no industry in the world that pays an income tax between its purchasing department and its production department. Now, we do pay our State tax, and in many States they have the sales tax. We are charged that, and we are the only industry, the only productive industry that pays a sales tax between our own purchasing department, that is part of our business, and the production department, and then we pay it again between our production department and our sale department, when we market through one of your cooperative marketing organizations.

Mr. HOPE. Just what taxes are you exempt from, if you come right down to the question of tax exemption? What are you exempt from?

Mr. HULL. As the thing stands today?

Mr. HOPE. Yes.

Mr. HULL. Well, we are permitted a small amount of these savings that we can set up in reserves that would otherwise be taxable, and there is this limited dividend paid on capital stock, we don't have to pay on as things stand today, but those things are so small.

Mr. HOPE. You are talking about Federal taxes now?

Mr. HULL. Yes.

Mr. HOPE. You don't pay a capital stock tax; you are exempt from that?

Mr. HULL. That is right, the capital stock tax.

Mr. HOPE. Which, of course, is a very small item ordinarily.

Mr. HULL. Very small. We are not particularly excited about that. The only thing we want to make sure is that this patronage dividend, when paid out, never did belong to the corporation, and it should not be taxed. Now, we don't care about these other things. We don't want anything that other industry does not have.

Mr. HOPE. Let us get down to State taxes. What State taxes are you exempt from?

Mr. HULL. None. We pay the gross income tax that nobody else pays on transfer from production department to sales department, and from purchasing department to production department.

Mr. VOORHIS. Why is that? Why do you have to pay that when nobody else does?

Mr. HULL. Because of the device of separate corporations for buying and selling. The fact of having this family-sized farm the farmer has to have his own purchasing department in a separate corporation and go through the form of a sale, moving his own goods from his purchasing department to his production department. Other factories and industries have all transactions in one corporation, and they just transfer from the purchasing department to their production department.

Mr. HOPE. Let me see if I can get this straight. Just to sum it up, you are exempt from no State tax?

Mr. HULL. That is right.

Mr. HOPE. And because of your method of doing business, you really pay an extra State tax there that a private corporation or individual probably would not pay.

Mr. VOORHIS. That is, an integrated oil company wouldn't pay?

Mr. HULL. That is right.

Mr. HOPE. Then, as far as Federal taxes are concerned, you do not pay a capital stock tax, which a corporation would have to pay, and you are allowed a limited reserve, which is free from taxation?

Mr. HULL. That is right.

Mr. HOPE. And the amount of that reserve depends on what the Bureau of Internal Revenue decides is a reasonable reserve?

Mr. HULL. That is right.

Mr. HOPE. And if you carry more than they decide is reasonable, you pay taxes on it?

Mr. HULL. That is right.

Mr. HOPE. Do you do nonmember business, business with nonmembers?

Mr. HULL. Yes, a little. Of course, we are not permitted to do more than 15 percent of nonmember or nonproducer business. About all that we do of nonmember business is in such things as the by-products of the refinery, such as heavy oils that our people don't use. We sell those to the steel industry.

Mr. HOPE. Do they have to pay taxes on nonmember business that they do?

Mr. HULL. They have to treat nonmembers the same as members. As long as they are exempt, they don't pay taxes on them, but they make the same distribution to them.

Mr. HOPE. They have to give them the same patronage dividends as they do the members?

Mr. HULL. That is right.

Mr. VOORHIS. Did you have anything else you wanted to present?

Mr. HULL. Not particularly.

Mr. HOPE. Let me ask one more question. You spoke mainly of the service end of your business. Do you carry on marketing operations for your membership, that is, the sale of their products?

Mr. HULL. We have brought into existence a number of marketing organizations. Mr. Palmer, the president of the Indiana Grain Cooperative, is here. They market a good share of the wheat and grain raised in Indiana.

Mr. HOPE. But you folks don't do that. Your organization does not include marketing?

Mr. HULL. Not our corporation, no; but we helped all we could to start marketing organizations.

Mr. VOORHIS. Don't you produce baby chicks and sell them to the farmer?

Mr. HULL. What is that?

Mr. VOORHIS. Don't you produce baby chicks and sell them to the farmer?

Mr. HULL. Well, we operate that as a purchasing operation, really. We set it up and it is controlled by the buyers of the chicks and not sellers of the eggs.

Mr. VOORHIS. Do you mean it is owned by the farmers who have occasion to buy the chicks; is that right?

Mr. HULL. That is right. As a matter of fact, it is owned by our own set-up, by the cooperative association set-up.

Mr. VOORHIS. In other words, it is a hatchery that is owned by the people who buy the chicks?

Mr. HULL. That is right, and because of that—we have been able to reduce the loss from pullorum diseases. Purdue University formerly reported 25 percent. Now, it is less than 3. At the same time the egg production has been greatly increased by means of the breeding farms that we operate.

The CHAIRMAN. That is all you wish to state?

Mr. HULL. Yes, sir.

The CHAIRMAN. We appreciate your coming here and hearing your side of this very important program.

Mr. HULL. I don't think there is a great deal in our program that we would have to ask of Congress but we think the cooperatives ought to be permitted to go ahead without being hampered in any manner, shape, or form. We think they have a place and that there are certain things that people can do for themselves that should be done that way instead of asking somebody else to help them.

There might be a need for some educational work; for instance this community social development and education regarding the cooperatives should be made a part of our extension program. Aside from that, there is very little the Congress can do.

The CHAIRMAN. Thank you, Mr. Hull. Dr. Davis, would you like to make a statement to the committee? We will hear you at this time.

**TESTIMONY OF HORACE B. DAVIS, UNITED FARM EQUIPMENT
AND METAL WORKERS OF AMERICA, CONGRESS OF INDUSTRIAL
ORGANIZATIONS**

Mr. DAVIS. I am asking permission on behalf of the president of the union, Mr. Grant Oakes, to file a statement with the committee setting forth the position of the union on the problems that you have before you.

The CHAIRMAN. Without objection, you may file that with the committee.

(Statement referred to is as follows:)

**MEMORANDUM BY GRANT W. OAKES, PRESIDENT, UNITED FARM EQUIPMENT AND
METAL WORKERS OF AMERICA, CONGRESS OF INDUSTRIAL ORGANIZATIONS**

Stability in farming can only be secured in the long run if there is stability of Government policy toward farming.

Government policies in the past 14 years have been dominated by the problems of crisis and depression. We need to make a complete revolution in our thinking on this subject and plan for prosperity and abundance quite deliberately. This means that instead of thinking in terms of restricting crops to demand and maintaining prices, we should plan to increase the output of basic agricultural commodities, and of all other beneficial commodities as well. In place of parity prices, we should concern ourselves with nutritional needs; in place of surpluses (which never really existed in any absolute sense) we should concern ourselves with shortages of needed commodities, and how to meet them. In place of protective tariffs, we should plan for larger imports and larger exports than ever before.

POLICIES TO BE FOLLOWED IN AGRICULTURE

Of the 6,000,000 farms in this country today, perhaps 3,000,000 do not contribute their share to the production and welfare of the Nation. These are the farms which produce crops valued at less than \$750 per year; they are also the farms that produce the largest families of undernourished and underprivileged children.

We propose, by the application of modern science, to lift these 3,000,000 submarginal farm families up to American standards of living, either on improved farms with adequate equipment or in the expanded employment which our program contemplates in cities.

Mr. H. H. Bennett, Chief of the Soil Conservation Service, estimates that the cropland area can be increased 100,000,000 acres, or 25 percent, by reclamation, irrigation, and conservation. A sweeping program of public works to bring into production a good part of this 100,000,000 acres would seem to be a necessary means to the Government's announced policy of settling a million returning veterans on the land.

Many farmers are now trying unsuccessfully to make a living on land which should be returned to pasture, or even woodland. The Farm Security Administration should be much expanded and charged with the duty, for which excellent precedent exists in its own work, of resettling these farmers on new land.

Many farms are submarginal because they are too small, or because they are underequipped, or understocked, to receive the most efficient use of their labor. The farmers do not have the necessary capital, or in many cases the necessary knowledge, to carry out the necessary expansion.

Credit facilities need to be made available for improvement of farm facilities, including the purchase of some machinery and the introduction of new methods of farming, by some one or more of the following methods:

1. Relaxing the somewhat overconservative policy of many banks on machinery, feed, and livestock loans. The Farm Credit Administration and the Federal Reserve banks could give a lead in this respect.

2. Making loan arrangements with due regard to the farmer's desire to conserve his equity in the farm. Many a farmer is unwilling to undertake new obligations, even when these are clearly indicated, because he fears an over-all increase in his liabilities which would threaten his own equity.

3. Directing the flow of capital toward these areas where an over-all shortage of capital in agriculture now exists. In this connection, we wish to call your attention to the Canadian Act of August 15, 1944, by which the Government underwrites bank losses sustained as a result of farm improvement loans, up to the amount of \$3,000. Interest rates to farmers are limited to 5 percent under the act (8 George VI, ch. 41), which is expected to become effective within the next few weeks.

The Government has an excellent opportunity, at present, to stimulate the long overdue shift in production in the Southern States, now so largely devoted to cotton. In this connection we wish to emphasize that Government payments to landowners in the South have largely been wasted in the past, in that they went chiefly to the large landowners who needed them least, and did nothing to correct the waste of human material in the family of the undernourished, inefficient sharecropper.

In the approaching mechanization of the cotton fields, special encouragement should be given to voluntary cooperatives of small producers, who would otherwise be unable to purchase a complete set of equipment. The Government should maintain a special service for the particular purpose of rescuing the southern sharecroppers from their present degraded condition, through instructing them in the use of proper methods of farming, and through helping them to organize their own associations for cooperative production.

In some sections of the country, there are farms which are too large for efficient one-family operation, but could be run efficiently if they were broken up into smaller units. Government policy should be to equalize opportunity among farmers by making available to all the knowledge of modern methods, which cooperative farms are now in a position to introduce but which are beyond the scope of the small farmer. The excellent work which has been done by the Tennessee Valley Authority and many State agricultural colleges, in developing models of farm machines especially adapted for the use of small farms, should be continued and extended.

Finally, the universal establishment of a national minimum standard of living should be made to include farmers, the same as city workers. Farmers should come under the social insurance provisions of an expanded Social Security Act (the Wagner-Murray-Dingell bill), and should receive a guaranteed minimum annual income, the equal of that paid in the cities. This policy necessarily involves the maintenance of a minimum standard of production on the farms, through elimination of substandard and submarginal units.

The problem of stabilizing farm income is usually approached from the angle of increasing money receipts by farmers, but it is often overlooked that farm machinery, a major item of expense, has been so inflexible in price that farmers' real income fell, even more than their money income, in the depression.

In 1932, when farmers' gross income was 65 percent of 1910-14, the index for equipment and supplies stood at 107, and of farm machinery at 142.

Manufacturing cost of farm machinery was reduced in the period between the First and Second World Wars, but the slack was taken up by increased marketing costs, so that the retail price of farm equipment was actually 7 percent higher in 1942 than in 1926.

Lower prices of farm equipment could be combined with higher wages for farm equipment workers if the plants operated more steadily. Profits of the farm equipment companies have been extremely high in the so-called good years, like 1937. If every year were a good year, there would be no excuse for not reducing prices.

The real key to the problem of stabilizing farm income is, of course, the stabilization of the market for farm products. It is our understanding that the subcommittee does not wish to go into the problem of securing full employment in the cities. We merely call attention, in passing, to a recent graph prepared by

the Bureau of Agricultural Economics, showing an almost perfect inverse correlation between farm income and unemployment. Almost invariably, when unemployment increases, farm income drops; when unemployment drops, farm income increases.

We believe that a farm equipment industry planning board should be set up to synchronize farm-implement production with agricultural needs, both seasonally and over a long period. On this planning board should be represented industry, labor, agriculture, and Government.

Stabilization of the foreign market for farm products can only take place if mutual trust between nations and a wide extension of democracy abroad make wars and revolutions unlikely, if not impossible. This goal can only be achieved if imperialism and the colonial system are superseded. A policy of narrow nationalism could strangle trade, as it was strangled in the 1930's. A policy of aggressive imperialist expansion could build up enmities abroad, and slam shut the door to much-needed foreign markets.

In very brief summary, the policies which we advocate as essential to a healthy expansion of foreign trade are as follows:

1. No dumping: Two-price policies for American agricultural products (one price for the home market and one price for the foreign market) are all forms of dumping, and must be abandoned.

2. Loans abroad must be made only for productive purposes. The sad experiences of the 1920's, when hundreds of millions of dollars were squandered in dynastic wars, graft, and useless enterprises of various sorts, must not again be allowed to disrupt international economic life.

3. Import duties on goods coming into the United States must be reduced and kept low. We cannot sell abroad unless we are prepared to also buy in foreign markets.

4. We must encourage democratic regimes abroad. Only governments which rest on a broad base of popular acceptance and participation have the stability necessary to an assured market, in the long run. The fallacy of encouraging unpopular oligarchies because they give a superficial appearance of order and stability, has been definitely shown in the present international holocaust.

Finally, we wish to emphasize that a firm guiding hand will be necessary to prevent future depressions. A progressive tax policy, bearing most heavily on those best able to pay, can do much to insure that savings are fully utilized for further production, and that wealth does not pile up idle in the wrong hands. We recommend to the committee's attention especially, a drastic increase in the taxation of inheritances, a form of taxation which is universally approved by economists, but has received far too little application in our country.

Mr. DAVIS. If you wish, I can give you the broad outline of our approach to the thing at this time.

The CHAIRMAN. You understand, we are here dealing with post-war problems of agriculture. The Post-War Economic Planning Committee as set up in the House of Representatives, the committee of which Mr. Colmer is the chairman, has set up a number of subcommittees. I am not so sure but what there is one on labor but I think there is. This subcommittee deals solely with the problem of agriculture and, of course, as your program is related to the problem of agriculture, we want to hear from you.

Mr. DAVIS. As I understand it, one of the main problems you have before you is how to stabilize farm income. Now, of course, one of the main component parts of the farmer's income in terms of real income is what his dollars can buy. That was especially noticeable in the depression. Congressman Voorhis quoted the figures. The farmer had to buy things whose prices stayed up while farm income was going down. I want to break that down and point out that the item that farmers had to buy that stayed up the highest, is still the highest in terms of 1910-14 prices, and that is farm machinery.

In spite of the mechanical improvements that have been made since the First World War, the general level of prices of farm machinery to

the farmer as calculated by the Bureau of Agricultural Economics is 7 percent above 1926. That is the figure as of 1942.

Mr. HOPE. Isn't it rather hard to get any comparable figures in that field, though, in view of the fact there have been so many new types of machinery developed? Do you know the basis they used in making the comparison?

Mr. DAVIS. Speaking broadly, if they make comparisons at all, they have to compare things that are similar and, since as you say, there has been a qualitative change, there are things that they cannot directly compare. That is true. At the same time, by recourse to certain other figures, we think we have shown in a pamphlet which has already been filed with your committee that the price of farm machinery to the farmer could be reduced without any reduction in the wages of farm machinery workers. If the farm machinery factories operated more steadily year in and year out, for the very simple and obvious economic reason that steady operation cuts down the amount of overhead chargeable to each unit of farm machinery.

The CHAIRMAN. Just a question there. Do you think that they could profitably operate steadily unless there was a demand for the product?

Mr. DAVIS. Our whole program is predicated on the idea that if there were steady production in the cities to balance steady production which already takes place on the farm, that it would not only be to the great advantage of the city workers, but it would also reduce costs to the farmers as well as guaranteeing their market.

Now, I am just emphasizing that particular point of a reduction of cost to the farmers because the other point, as I understand it, is more or less outside of the purview of your subcommittee.

Mr. HOPE. Let me ask you this. What effect would that have upon employment? Would that mean a smaller number of employees over a year around or a smaller average number over a year-around period as contrasted now with a peak at some seasons and little or no employment in others, or do you think it would mean over-all employment all the way through? In other words, how much more over-all employment would there be under a set-up such as you are describing?

Mr. DAVIS. Well, our program addresses itself to the problem of how the people that are now in the industry plus the returning servicemen who will go into industry, minus a certain leakage out of the industry—old people and women, who have been drawn in it for patriotic reasons—can be kept employed steadily year in and year out. We believe that we have shown that it is possible for them all to have full employment if farm income is stabilized at a high level.

Mr. VOORHIS. In other words, you have a direct interest in this stabilization of farm income at a high level?

Mr. DAVIS. Most decidedly.

The CHAIRMAN. In other words, if the farmer has the purchasing power to buy the products which the laboring man here in Chicago and St. Louis and other cities produce, the farmer must have an adequate income to have that purchasing power. It moves in kind of a circle, doesn't it?

Mr. DAVIS. You can show that in a form of graph. As a matter of fact, those graphs have been prepared and in our testimony we cite chapter and verse on that. The Government has them. It shows when unemployment goes up in the city, farm income goes down in

direct proportion. There is a nearly perfect inverse correlation; and correspondingly, when farm income goes down, the sales of agricultural implements go down and that means less employment for our workers.

Mr. HOPE. The question bothering me there, which is the effect? We have that coincidence of figures there, which everybody knows exists, and which can be easily shown, but which is the cause and which is the effect?

Mr. DAVIS. If you want to know how to break that vicious circle, I think the answer is plain. We should abandon the negative approach to farm production. That is, our whole emphasis should be on maintaining farm production at a high level with no more restriction of crops and no more price supporting plus limitation of production.

Let the farmer go on producing as he always has wanted to and as he usually does anyway in the absence of some Government-sponsored program, and let the city worker do the same thing which he has always wanted to do and has only been prevented from doing by the bad operation of our economic system.

In other words, the place to break the vicious circle is by guaranteeing employment to the city worker. If that is done, the farmer market will be guaranteed, or at least that part of it that is sold domestically, and the very important farm market will also be guaranteed to industry.

Mr. VOORHIS. I don't believe that the fall in farm income or fall in city employment is either one of them the cause of the other. I think both of them are the result of forces further back in the economic system which could largely be traced to some of the centers of financial power in this country.

Mr. DAVIS. Well, we can't settle that in 10 minutes.

Mr. VOORHIS. That is a comment, not a question.

Mr. DAVIS. However, we can discuss means of overcoming that difficulty, and your committee has got to help solve that because it has to be solved. We are not going to stand for another depression like the one in 1930. We in the C. I. O. are determined that that shall not happen.

Mr. COLMER. How would you guarantee the perpetual continuous employment of the urban worker?

Mr. DAVIS. We have a rather extensive program on that. Of course, that takes us out of the immediate purview of the Farm Equipment Workers Union, as such, and into the broader program of the C. I. O., which is probably familiar to you, and, if it is not, then you should certainly have it explained. We contemplate a big program of Government public works to be synchronized with advancing periods of unemployment. We agree in that respect with the Farmers Union approach. I believe you have heard about their proposition that when investment in new plants fall below a certain figure, I believe 40 billion, the Government is to step in and take up the slack. This is an intelligent approach and deserves to be further explored.

We are also tackling it on the level of collective bargaining in trying to get it written into our collective contracts that the employers will guarantee an annual wage. Actually the present is a very auspicious time to start such a plan because the steel industry, in which that was

proposed, has enough profits now to guarantee that annual wage on a 40-week basis for at least a year and a half after the war.

Mr. VOORHIS. Is one of the purposes of that to try to level out or even out employment? In other words, do you have in the back of your head the idea that if annual wages were guaranteed, that then it would be directly to the employer's interest and he might almost have to do it in self-defense, to level out his employment through the years? Is that part of the purpose?

Mr. DAVIS. That is part of the purpose. You have different kinds of unemployment. We take the position that none of them are socially tolerable and, while depression unemployment—cyclical unemployment—is the most disastrous, seasonal unemployment is a big problem in the farm-machinery industry.

I want to call your attention to the last issue of the Farm Implement News, the trade journal, in which the editor indicates that the manufacturers should not have to carry the whole burden of storing these bulky agricultural machines until such time as the farmers get ready to buy them and he indicates a growing belief in the industry that there is going to be a certain amount of social pressure from labor and from the Government, to even out production the year around. If that means moving the equipment into the hands of the dealers at an earlier time and letting them find storage space for it, that is all in the public interest.

Mr. COLMER. Before we leave that, I would like to ask you this question: I know we are getting into deep water, but I would like to go back to the guaranteed wage. That is highly desirable and everybody would like to see that. The Members of Congress would like to have some guaranteed wage, particularly of their wage.

Mr. DAVIS. We would be delighted to guarantee it to certain Congressmen if we could.

Mr. COLMER. I am quite certain that that is true, but what I was trying to get at is this: Could you stop there? Would you guarantee to the employer a certain income?

Mr. DAVIS. Well, of course, when you tackle it from that angle, it involves the Government coming into the picture.

Mr. COLMER. That is right.

Mr. DAVIS. There have been certain proposals made, not by the C. I. O. at the moment—

Mr. COLMER. Pardon me, you did not mean that the Government should step in on the annual wage, but rather a collective bargaining proposition?

Mr. DAVIS. Well, as I say, the first place that that program was raised was in the proposals of the United Steel Workers of America to the steel employees, which is now before the War Labor Board. Until we fully explore that prospect, we have not gone into detail as to just what the Government might be expected to do.

Mr. COLMER. But, assuming that the Government were expected to step in and guarantee that, then my question would be pertinent, wouldn't it, as to whether or not the Government would guarantee the employer?

Mr. DAVIS. That is right.

Mr. COLMER. And if that happened, then the other thing it seems to me, would have to happen. Following that out from a practical standpoint, isn't there a limit to which the Government can go?

For instance, the economist tells us that we are going to be faced with a national debt of approximately \$300,000,000,000 when the war is over.

Now, I think there is a bottom to the Government meal barrel as well as there is in the individual. I am wondering, as desirable as these things may be, how far can we go without straining or even destroying the financial stability of the Government, and, of course, with the final loss of our present system of Government?

Mr. DAVIS. I would just like to point out a few things in that connection.

Mr. COLMER. That is what I asked you.

Mr. DAVIS. Mr. Colmer raises a question that everybody has in mind. The thing that is going to preserve the financial stability of the Government is preserving the prosperity of the Nation, because that increases the potential taxable income and wealth of the country.

It has been calculated that there was enough money, shall we say, lost through failure of production in the depression years of the thirties to pay for the war as far as it has gone. Something like \$240,000,000,000.

Mr. VOORHIS. About that, that is if you figure the loss under 1929 production.

Mr. DAVIS. Well, production should have gone up since 1929.

Mr. VOORHIS. I know, but even if you figure the loss on 1929.

Mr. DAVIS. That is right. The other point is that the Government would not have to make up the whole difference between, say 1929 production and 1932 production, because most of this production follows automatically when you take up the difference between what production is at the peak and what it is, say, in the first year of the depression. The system tends to right itself and go ahead.

The CHAIRMAN. Do you think that the ideal course is to have private enterprise carry on this program in our country?

Mr. DAVIS. We accept that idea.

The CHAIRMAN. And you agree with men like Eric Johnston, of the United States Chamber of Commerce, who appeared before our committee and testified that public works are Government operations and they should only be resorted to in case of the failure of private enterprise to meet the needs of a nation? Do you agree with that?

Mr. DAVIS. Of course, it is axiomatic that if private enterprise furnishes the jobs, then the Government has no problem.

Mr. COLMER. But you also agree that there is a limit to which even Government can go in furnishing jobs under our present Government?

Mr. DAVIS. We think the Government should start off with the perspective of maintaining full employment. If instead of taking off taxes, after the war, and getting down to a rock bottom level, the taxes remained heavy on the people who can really afford it, we would solve two problems at the same time; one, the problem of paying off the national debt while at the same time paying the expenses of the Government; and two, the problem of eliminating the accumulation of idle wealth where it is not doing anybody any good, and which is one of the big causes of the depressions that we have had in the past, as Congressman Voorhis has very briefly indicated.

We think that this whole question cannot be discussed apart from where the Government is going to get its money. If it keeps on getting its money from taxes on consumption, on people with incomes

of less than \$1,500, it is going to limit the market for industry and agriculture.

Mr. VOORHIS. This may be a mean question, but I don't think so. Do you think there is a place for a reexamination of the relationship between personal income taxes on the one hand and corporation taxes on the other, with a view toward trying to fix corporation taxes so that they would encourage further business expansion?

Mr. DAVIS. Yes.

Mr. VOORHIS. In other words, do you think it is a sound theory that corporation taxes are necessarily taxes that fall upon rich people, or is it a sounder theory to say that if you want to have the taxes fall according to the ability to pay, that the personal income tax is a sounder method to use?

Mr. DAVIS. Our position is that broadly speaking the personal income tax is the ideal form of tax—that and inheritance taxation, which is largely neglected.

Mr. VOORHIS. Rather than corporation?

Mr. DAVIS. But at the same time we don't necessarily believe in repealing corporation income taxes.

Mr. VOORHIS. I am not talking about repealing them.

Mr. DAVIS. The Committee for Economic Development does, but we don't. We believe there ought to be corporation income taxes.

Mr. VOORHIS. No, I don't think they recommended their outright repeal, but they recommended a flat tax of, I forget how much, but it is a low tax. I don't agree with their position because I think that small business should be totally exempt and the principle of excess profit is sound, but not at war levels. I don't believe they recommend the repeal. However, there are a good many people who have sort of an instinctive feeling that if you raise taxes by taxing corporations, that it somehow or other is lifting the tax burden from the people and distributing the taxes in accordance with the ability to pay.

I have come more and more to question the soundness of that point of view and believe that the way to distribute taxes is according to ability to pay by personal income tax and by inheritance tax rather than corporation tax, which may fall in accordance to ability to pay or not fall that way. We don't know.

Mr. HOPE. To the extent that they are passed on, that is the thing.

Mr. DAVIS. I don't know according to what economic theory it is that corporation income taxes are passed along. However, insofar as they were (and in the case of public utilities, you might make an argument to that effect) there would be an argument for collecting by means of personal income taxes, but I am not at all impressed by the argument that bases itself on double taxation in that connection. There is nothing new about double taxation. The consumer is used to it. He is taxed at least twice on every article that pays a tariff duty and a sales tax and there may be any number of taxes added along the line.

A big question in connection with Congressman Voorhis' point would seem to be whether in collecting the money for the Government from those able to pay, you can also accomplish some other socially desirable aims.

The CHAIRMAN. What do you think about this?

Mr. DAVIS. If you collect a corporation income tax from a corporation that is new and just starting in, that maybe needs a little

capital to put back into the business to become a serious competitor to some monopolistic concern, I can see a strong argument for making some concession to that business.

There is an argument for taxing partnerships on the same basis as corporations so as not to discriminate against the corporate form.

Mr. HOPE. Or individuals.

Mr. DAVIS. There is an argument for taxing idle surpluses of corporations, especially when that gets them into useful construction and thus maintains a sagging investment level. All of these highly desirable things could be attained quite aside from the question of what was the best and fairest tax for getting money into the Government Treasury.

Mr. HOPE. The question of double taxation is important. If you have no competition, the corporation taxes might not be passed on, but if you do have competition, then those taxes will have to be passed on.

Mr. DAVIS. Well, a tax on a corporation income does not get passed on, even if it is in competition.

Mr. HOPE. It is a business expense; isn't it?

Mr. DAVIS. No; technically it is a tax on what is left after the expenses.

Mr. HOPE. I know, but it is a business expense. You cannot pay any dividends to the stockholder until after you take out your taxes.

Mr. DAVIS. What is paid in taxes is that much less for the stockholders, but it does not follow that the business can increase its prices by adding to its price the tax that it pays.

Mr. HOPE. I am not talking of the economic theory of it, but as a matter of actual practice, isn't that what does happen generally?

Mr. DAVIS. Well, you take the case of two businesses, one making a profit and the other not making a profit. The one that makes a profit, we will say, pays taxes, and the one that is not making a profit does not pay any tax. Why should the one that makes the profit raise its prices as a result of the paying of that tax? As a matter of fact, it would more likely be the other fellow who would raise his prices.

Mr. HOPE. The other fellow might have to raise his price.

Mr. DAVIS. Not because of the tax, because he is not paying any tax.

Mr. HOPE. Well, if you are talking about an excess-profit tax, that would undoubtedly be true.

Mr. DAVIS. The same line of reasoning applies to any kind of a tax on profits or corporation income as such.

The CHAIRMAN. What about the simple corporation tax?

Mr. DAVIS. The corporation tax is different again. That is not a tax on profits.

The CHAIRMAN. One further question. You have heard some of these statements here. Some gentleman advocated that the only salvation for this country was the national sales tax.

Mr. DAVIS. That would be, in my opinion, the most disastrous measure that could be taken.

The CHAIRMAN. You heard the comment of one of these gentlemen, didn't you?

Mr. DAVIS. I was not here for that discussion.

Mr. HOPE. I believe that was Mr. Brandt.

Mr. DAVIS. I can tell you briefly why I think that is an extremely bad idea.

One of the big difficulties that we faced in the past and one of the reasons why we have had depressions has been the failure of purchasing power at a certain point, the disappearance of markets.

Now, the people who spend most of their income on necessities of life and sometimes more income than they have got, are the people at the bottom of the income scale. The proportion of savings increases as you go up in the income scale. That is all A, B, C. Now, should not public policy be devoted to collecting the money from those who have the most savings, and leaving the people who spend most of their money to increase the market?

When you levy a sales tax on the man whose income is \$1,000 a year, all told, for the whole family, you are taking that much money out of consumption, and you are limiting markets in that amount.

If you tax the rich man on his profits, you are taking that, not out of consumption, but out of savings. Depressions occur only when consumption fails and savings become redundant.

Mr. HOPE. Well, of course, the main argument for a sales tax is that it is the easiest to get. That is the real argument; isn't it?

Mr. DAVIS. That is the only argument that I have ever heard in favor of a sales tax that struck me as having any validity whatsoever, but there are other taxes that are perfectly simple to collect which can also bring in plenty of money. One reason why the income tax does not bring in as much as it should is that there are so many loopholes in it. The Treasury has suggested means year after year and you gentlemen year after year turn down the suggestions in committee or on the floor and so the income tax does not bring in what it should.

The CHAIRMAN. Our time is slipping by. Have you any further statement that you would like to present at this time?

Mr. DAVIS. I want to consult the schedule of the committee on that. There is a good deal further I could say on the subject of foreign trade. I think perhaps I might take a few minutes of your time to indicate briefly our position on that.

The CHAIRMAN. We have a separate committee on foreign trade.

Mr. DAVIS. Well, I am thinking now, particularly, of foreign trade in farm products.

The CHAIRMAN. We will give you 2 or 3 minutes on that.

Mr. DAVIS. The theory of establishing a two-price system, one for domestic markets and one for the foreign markets, is dumping whatever way you look at it, and it invites reprisals. I don't think that that should be incorporated in our permanent policy, whatever might be said for it as an emergency measure.

We want to encourage foreign countries to allow our products in and we also should be prepared to accept products from foreign countries. We go along with Mr. O'Neal of the Farm Bureau Federation on that line of reasoning.

The CHAIRMAN. Unless you have some further comment, we will proceed. I want to thank you for your attendance here and we will be glad to file the statement.

Mr. DAVIS. Thank you. We will send it to you.

The CHAIRMAN. Dr. Galbraith, we thought you would not be here.

Mr. GALBRAITH. I would like to apologize. My train was 4 hours late this morning; it was delayed somewhere out in your territory, Mr. Hope.

The CHAIRMAN. Do you have a prepared statement?

Mr. GALBRAITH. Yes; I do.

TESTIMONY OF J. K. GALBRAITH, FORTUNE MAGAZINE, NEW YORK CITY, N. Y.

MR. GALBRAITH. I am here at the invitation of your chairman. So far as I am aware, I am not a spokesman of any particular public or private group; I am here as an individual.

The subject of these hearings, as the chairman has informed me, is the stabilization of farm income; it is something that has occupied the attention of Congress fairly continuously for the last 30 years, and I should think there is a fair chance that it will be a subject of debate and action for another 30 years. There is certainly a strong likelihood that it will be a major issue immediately after our two wars, the west and the east, come to an end.

I understand that your committee is looking at the more general aspect of stabilization of farm income; that you are taking a longer range view of the problem. That is the logical place to begin, although it is perhaps well to observe that the conflict between long-range objectives and short-range action has been one of our fairly constant problems in farm legislation. We have never lacked people who could think clearly and ably about the long-run objectives; I should submit that there is a fair degree of agreement as to what the long-range objectives of the agricultural policies are. We want a family-size agriculture; an opportunity for the man on the land to become an owner, and Government assistance to that end if necessary; conservation of our soil resources; and, perhaps the most important of all, independence and economic security for the farm operator and his family.

However, while we have agreed on these long-run objectives, the practical process of passing farm legislation has often been one of improvisation and compromise—the kind of action which, while it settles today's headaches, leaves a hang-over tomorrow.

Immediate crisis action to help cotton producers has at times delayed the development and diversification of southern agriculture. It may do so again. As we come out of the war we will be face to face with another consequence of crisis action, which cannot easily be squared away with the long-run objective of farm policy. I refer to the price guaranties on crops for which there have been wartime needs, and which guaranties will run on after the war. The policy is not one that I would criticize. In wartimes it is wise to do what it takes and not count the eventual costs. Farmers needed to be told that if they increased production they would not be left midstream with half-grown crops and half-finished livestock for which markets have disappeared. Yet, it is a fact that for some crops wartime production will be far in excess of the peacetime needs.

In order to keep its promise to the farmers the Government after the war will find itself buying substantial quantities of food and fiber. It has had to do this before, but I doubt if it has ever had to do it in the past on quite the scale that will be necessary in the future. These accumulated stocks are going to be one of the serious barriers in getting agriculture back on a sustaining basis. But I should like to get back to the main topic. Assuming that our farm policy in both the long run and short run is to stabilize agricultural income at a high level—provide economic security for farmers—what does it take? Or, to put the question another way, in the 30 years of legislat-

ing on farm policy, what lessons have been learned about stabilizing farm income?

The first lesson seems to me very clear. A high and stable farm income requires first of all a high and stable national income. During the 1920's the United States as a whole was fairly prosperous and the farmers were not. That was the decade of the McNary-Copeland bill, twice passed and twice vetoed, and of the Smoot-Hawley Tariff Act which started out to be a farm measure, and of the Federal Farm Board. The national income in 1929 was the highest that it has ever been—higher than during the 1930's and yet it was in 1929 that the Federal Farm Board was established.

With industry relatively prosperous and industrial employment relatively high and agriculture, comparatively speaking, depressed, it was easy for people to decide that there was not too much connection between the two. A high national income, they concluded, is not enough to insure a high farm income. Perhaps they were right but they have since learned that a high national income is necessary before farm income can be even tolerably high.

Let me review briefly the figures. In 1929—all of these figures are in current prices—the national income estimated by the Department of Commerce was about \$83,000,000,000. The Department of Agriculture estimated farm income at 8.4 billion or approximately one-tenth of the total. I draw your attention to the fraction there. The farm income in 1929 was about one-tenth of the national income. In 1932 the national income had dropped to just under 40 billion—from 83 to 40 billion, and farm income had dropped to 3.2 billion or considerably less than one-tenth of the total.

To put it another way, although farmers were not satisfied with their income in 1929 when national income was relatively high, the decline in national income hit the farmers harder than it hit the community as a whole. It left them with a much smaller share of the much smaller total income.

Now, just the reverse has happened on the upswing. In 1937—to pick out an average year of the thirties, or a little better than average year of the thirties—the national income had climbed back to 71.5 billion.

Mr. VOORHIS. In 1937?

Mr. GALBRAITH. Yes; farm income had risen to 6.9 billion or was again just under one-tenth.

Mr. VOORHIS. What was the national income?

Mr. GALBRAITH. The national income was 71.5 and the farm income was 6.9 billion.

In other words, as the national income went back up again farm income again climbed more rapidly.

Now, to come down to date we find the same principle holding true. In 1943 the national income was 148 billion while farm income in 1943 was 15 billion, or slightly more than one-tenth of the national income. As compared with 1940, the national income had about doubled and farm income had about tripled.

Perhaps I am stressing the obvious, but the obvious often contains the truth for which men search the obscure. The farm income in the United States in the last 20 years has moved up and down with national income. In spite of Government action of any sort the relation between the two has been very close.

Mr. HOPE. It has not moved at the same rate, however; isn't that correct?

Mr. GALBRAITH. Yes. Farm income has dropped more on the downswing and gained more on the upswing, and that leads me to emphasize this point: Without going back over the figures, the objective reading of our experience of the last 20 years indicates that first requirement of a high and stable farm income is a high and stable national income.

The CHAIRMAN. I might say this: Men like Mr. Baruch and Mr. Hancock and other industrialists like Mr. Wilson, of General Motors, and Mr. Johnson, and others, have all emphasized the importance of keeping up the national income. They said that is a necessity.

Mr. GALBRAITH. I think very wisely so, too.

Mr. COLMER. May I interrupt and also state that this committee, the full Committee of the House on Post-War Economic Policy and Planning, has emphasized that, also, and I think we all agreed upon that.

Mr. GALBRAITH. I would like to spend a minute on some of the aspects of this relationship. During the depression one used to hear it said that the problem of farm surpluses was especially stubborn because people had been born with only one stomach. I am sure we all heard that repeated time and time again. They said that people can eat only so much and no more and the rest of the surplus might just as well be dumped into the ocean. The war has shown us that this apparently simple straight-forward logic was faulty. Let us take the production of the pre-war years, that is, from 1935 to 1939, as 100 percent.

Mr. VOORHIS. Which years?

Mr. GALBRAITH. 1935 to 1939. Farm production in 1944 stood at 144, or 44 percent above the average pre-war level. That is the physical volume of farm production. As compared with the same base years the production of meat and other products were up, such as grains being up 56 percent and oil-bearing seeds, notably soybeans, 165 percent.

Now, some of this increase was to replace crops that we imported before. A relatively small quantity has been exported on lend-lease. Mr. Stettinius has repeatedly emphasized the relative small fraction that has gone into lend-lease. The overwhelming fact is that much of the increase of 44 percent has gone into the domestic market. It has gone into the domestic market because when purchasing power barriers are lifted, people eat a great deal more.

We have some 11,000,000 people in the armed forces, men and women, who have no purchasing power barrier at all for their food consumption; in general, the industrial population is fully employed at good wages and it has no barriers to satisfying its appetite. One of the phenomenal lessons of the war is that when the market for agricultural commodities—

Mr. HOPE. Just a moment. You would not want to carry that too far, would you? That is, it is still a good deal less elastic than the demand for industrial commodities, isn't it?

Mr. GALBRAITH. I think from a reading of the figures of the last couple of years, Mr. Congressman, that is questionable.

Mr. HOPE. Right on that point. The Department of Agriculture figures indicate that the domestic consumption per capita increased

only 7 percent on farm products. I am not questioning your figures, but those are economics and they say that it increased only 7 percent. I am referring, of course, to civilian consumption during the last war period.

Mr. GALBRAITH. That is a very interesting figure to analyze. Notice it is one for civilians. And that 7 percent is the average over-all increase. When you take out of your 100 percent the number of people in the United States who were eating all they wanted to before and for whom there were no barriers before, you pyramid that percentage for some people up to 14, 15, 18, or 20 percent, or even 50 percent—all people who were not able to satisfy their appetites before, who were on stringent rations in the 1930's and who now are able to satisfy their appetites.

Mr. HOPE. That is true. I am not arguing about that, but I say there is a limit and a definite limit to what you can consume. I still do not think that your farm market is as elastic as refrigerators or automobiles, for example.

Mr. VOORHIS. Isn't this true, that the market for agricultural commodities, taken as a whole, is even more elastic than the agricultural values that may be demanded for any individual agricultural commodity?

Mr. GALBRAITH. I think that is also a very important point to emphasize.

Mr. VOORHIS. You are talking about all agricultural products and you are not talking about any one or two?

Mr. GALBRAITH. And the budget itself is a highly flexible thing.

Mr. VOORHIS. About what percentage did lend-lease take, actually?

Mr. GALBRAITH. The aggregate volume is relatively small. If we assume that flexibility as the reason why agricultural consumption, or the consumption of agricultural products responds so well to high national income, then it seems to me that we are safe in projecting this past relationship into the future and saying that if the national income is high in general, we have a good chance of stable farm income, because people will spend a large share of it for agricultural commodities for food and fiber.

Mr. HOPE. I don't want you to think that I disagree with you on that point, from what I said a while ago. I thought perhaps you were putting too much emphasis on it.

Mr. GALBRAITH. It is a question of emphasis, Mr. Hope. There is always the possibility that one makes a good point with more emphasis than is proper.

Now, what about our prospects for a stable national income? That would take me somewhat off the chain of this testimony, but I would like to have the permission of the committee to say a word about that.

I would like to submit that a high national income in the United States after the war is not assured by any means. We cannot have a high national income in the United States merely by promising that there will be 60,000,000 jobs nor merely by saying that private enterprise will take care of it; nor by tallying up the amount of money people have in War bonds and bank accounts, and saying it will be spent.

Our experience of the last 20 years is that it is hard to have a high national income, and it will take the hard concerted action both of

public and private groups to get a high national income and sustain it after the war. We are being much too cavalier if we assume it will be easy.

I should like also to suggest it will be much too late, when the big cut-backs come, to start action then. We must be prepared; we must be prepared this time in advance. I do not need to cite the important urban impact of the low national income and the high unemployment, but again I emphasize its vital relation to our agriculture.

Now, I should like to suggest this—

The CHAIRMAN. In other words, we cannot afford to get into a depression before we start doing something about it?

Mr. GALBRAITH. That is precisely true.

Mr. VOORHIS. About these bonds that everybody is talking about and the huge backlog of savings. What will be purchased with that backlog of savings if they believe that a depression and a period of unemployment is ahead of us?

Mr. GALBRAITH. That seems to me to be a very important point, Mr. Voorhis. In the people of the United States is a strong Puritanical strain. I don't happen to belong to that, but I belong to only a slightly more liberal one; I am Scottish. We are a nation of savers. We know the difference between capital and income, and these War bonds, for a great many of our people are capital. They are a token of security which they are going to hold onto.

Now, I hear people say that when the end of the war comes everybody is going to cash in these bonds. However, I do not hear any of my friends saying that, and I know people who are not Scotch, too. I might not prefer to associate with them, but I do know some.

The CHAIRMAN. Now, isn't it a fact that a lot of them are being cashed in right now?

Mr. GALBRAITH. We have a turn-over in them, but that is relatively small. I think that is an aspect of the pressure of the bond sales and the desire to conform, which carried some people beyond what they can actually afford, and they have to cash some of their bonds in.

Mr. VOORHIS. There are a lot of people who talk about the backlog of savings in terms of total national debt, but as a matter of fact, only about 37.5 percent of the present national debt is held by individuals and nonfinancial corporations combined.

Mr. GALBRAITH. That is a very important figure, incidentally.

Mr. VOORHIS. And, furthermore, of that 37.5 percent, it is questionable how much of it belongs to the people with incomes of less than, say, \$4,000, and that would be the important group.

Mr. GALBRAITH. And it has been a fairly regular experience in our bond sales for the corporation quotas to be oversold and the individual quotas to be undersold. That has been a fairly standard phenomenon.

Mr. VOORHIS. The great bulk of this debt belongs to the banks and to the insurance companies, and so forth.

Mr. GALBRAITH. Now, hurrying along on this, I would like to say that I think it is necessary to accept all things in moderation. The high national income, the high purchasing power, and so forth, will not solve all of the problems of the farmers. We are in for some sour spots after the war. I think we can perhaps focus now on where those sour spots will be. Those sour spots will be the crops that have been expanded to replace erstwhile imports. Oil seeds, for example, will

certainly be one where we will be left after the war with more than we can hope to consume at a high national income.

¶ I would also submit that we are in for trouble on our erstwhile exports. I am inclined to think that if we are realistic we will have to conclude that our agricultural exports will continue to decline; that our exports of cotton, tobacco, and so forth, after the war will continue their past trend downward. That is not necessarily a defeatist position; perhaps the United States might better export automobiles and machine tools and industrial machinery than cotton. It may be that our advantage over Brazil or over Egypt, or over India is greater in our machine exports than it is in our cotton and tobacco exports. Anyhow, it would be reasonable to expect a continued decline in those great export commodities. If that is true, we have two groups of commodities, those that we have imported in large quantity or we used to import in large quantity and that we have replaced in our domestic production, and those we were once exporting in large quantities, where we are in for a certain amount of trouble.

¶ I think that it might be wise to make the same forecast for some of our specialty crops where we have great increases, that is, some of the canning crops where we have had great increases for the use of the armed forces specifically. So the old decision will be before the Congress after the war as to whether we should let low prices put the farmer out of the production of those crops and force him to convert to production of those crops that are more needed, or whether prices will be stabilized and adjustment made by something along the line of the A. A. A. The adjustment, in other words, would be made by Government edict, or if you will, by Government planning.

The CHAIRMAN. And Government-controlled?

Mr. GALBRAITH. Whether we will reestablish marketing quotas and acreage quotas, I don't know.

The CHAIRMAN. Pardon me, but are you going to give your views on that question?

Mr. GALBRAITH. I am going to comment on that for a moment; yes. There is a little doubt in my mind as to how the Congress will decide. I think it is quite an academic question. I think Congress will decide to keep the prices of these commodities stable at moderate level and that the adjustments will be brought about by crop control, by marketing quotas, or the other devices used in the 1930's. The reason is that to let tobacco prices and cotton prices fall, and soybean prices collapse, is a greater punishment to the farmer than the Congress has in the past 15 years been willing to inflict. The last time it was tried was by Mr. Hoover. It had a blighting effect on the fortunes of a great political party. I do not think that that risk will ever be run again.

I am not sure this is a bad solution. I am not sure but what it is not the best. Perhaps there is a more civilized way of readjusting agriculture than through bankrupting a substantial number of farmers and ruining their lives. That is my own judgment.

The CHAIRMAN. Are you referring to the operations of the A. A. A.?

Mr. GALBRAITH. I am referring to allowing prices to take their normal course. I think there is a better way of doing it than that.

There are some dangers. I should be afraid of one thing in particular. I should be afraid that Congress during this period of adjustment would keep prices of the commodities that are being

adjusted, too high. I would be afraid of the strong political pressure to keep cotton prices in particular too high or at a level which would work against getting cotton acreage brought back into line with the long-run diminution in cotton demand.

I should be afraid that that process might accelerate the diminution of demand by providing an umbrella under which cheap synthetics can come into increased use and it is pretty hard to tell a farmer who is getting 20 cents a pound that he should reduce his acreage. Too high a price will work against the long run process of adjustment and readjustment.

The CHAIRMAN. Do you think that the competition which might arise between cotton and synthetics, if we maintain a parity price for cotton by pegging the price of cotton, might operate against the industry itself?

Mr. GALBRAITH. That is right, assuming two things. I am taking cotton merely as an example. Let us assume that we are on a long run declining demand for cotton, particularly overseas demand. For that reason we will want quotas over the period of years to reduce the output of cotton and increase the production of competing crops throughout the South. However, we can defeat that in two ways: First, by keeping the price of cotton too high during that period and so providing the umbrella under which rayon and other synthetics will move, and making it harder for a farmer to tell another farmer to grow less cotton and more competing crops if cotton is too profitable.

The CHAIRMAN. Would you care to express an opinion as to what the position of the synthetics may be after this war is over?

Mr. GALBRAITH. I would like to come to that in a moment. I want to explain my position carefully. If demand is slipping, I do not think the way to correct that is to let cotton prices go as they did in 1930 or 1932. That is too much of a punishment for any group of people.

The CHAIRMAN. That means depression.

Mr. GALBRAITH. That means depression and I am advocating here a policy of moderation or a policy of trying to hit down the middle. Now, on the question of synthetics, that is a forecast which is difficult for anybody to make, but one generalization that we can make is this: During a period of war technology tends to be stepped up all along the line. It tends particularly to be stepped up in the field of chemistry and it is back into chemistry that the synthetics or synthetic fibers head. The improvements have certainly been tremendous. There is a very strong probability that during the war those have become better and cheaper at a more rapid rate than during any comparable peacetime period. I have seen some new synthetics that are being marketed in limited quantities, or are reserved for the armed forces, which are marvelous. Most of them will tend to move in the area historically occupied by cotton.

Some of them are expensive, but if cotton gets too expensive they have a chance and I hope that cotton, which is a good fiber, does not price itself too far out of the market after the war.

Mr. VOORHIS. I think you are very sound. However, I want to bring up something that I heard mentioned a good many times which is that a small percentage of the actual cost of a piece of finished cotton is actually represented in the price of the raw cotton. What do you have to say about that?

Mr. GALBRAITH. That is true, Congressman, of any cost that you pick out. The trade-union makes the same point about labor cost. The wheat grower, for example, would cite exactly the same observation with reference to wheat in a loaf of bread, and the process of competition between commodities as a competition which takes place on a relatively fine margin. So even though the cotton or the rayon in a shirt is a small part of the total, you have narrowed margins there and considerable opportunity for pricing one out and the other in by small differentials.

The CHAIRMAN. Have you anything else that you would like to say?

Mr. GALBRAITH. I am finished.

The CHAIRMAN. You have expressed some very thought-provoking statements here today and I am sure that the things you have said are going through our minds and I would like to have some elaboration on some of those things.

Mr. GALBRAITH. I shall be delighted and honored to submit it.

Mr. MURDOCK. I would like to ask you a question. This refers to something that was said by another witness earlier. He said that we must look to private enterprise to take care of the situation in the post-war period. I think there is pretty general agreement on that. However, on the other side, it is said that there must not be any public employment as a safeguard here, but only private employment for jobs. I wonder if we have not heard so much eulogy of private enterprise and so much condemnation of other things that we are leaning over too far? You would not say that we must absolutely shun public works?

Mr. GALBRAITH. I should certainly not say that. I think I am a fairly unemotional individual and I think many of the people who talk about private or public employment are not. I see no reason why private policy and public policy cannot become a complement of each other. Certainly, after the war, public and private enterprise are going to provide, as they have always done, the vast majority of the jobs. I see no reason, however, why reasonable men cannot effect a complementary relationship between private and public employment as they have done during the war, and which in total will be better than either operating alone.

The CHAIRMAN. That is the principle announced by a member that appeared before this committee, Mr. Johnston of the United States Chamber of Commerce. He said public employment does and should have a place in our national economy.

Mr. GALBRAITH. That is a very forward-looking position.

The CHAIRMAN. We thank you very much, Mr. Galbraith, and we are only sorry that the time is fleeting. We are trying to wind up today and I am sorry that your train was late.

Now, we have with us Mr. Darrow, who wishes to make some statements.

TESTIMONY OF PAUL DARROW, CHICAGO, ILL.

Mr. DARROW. The time is so late that I do not like to take any more of your time in making a statement. However, there are a few things that have come up that I would appreciate commenting on.

The CHAIRMAN. Yes; we would like to hear from you.

Mr. DARROW. Mr. Davis called attention to the fact that the depression of the early thirties cost the country several hundred million dollars in production.

Mr. MURDOCK. You mean several hundred billion dollars, don't you?

Mr. DARROW. I thought he said several hundred million dollars. I would limit it to million dollars, but whatever the figure was, I want to call the attention of the committee to the fact that the lack of purchasing power was the reason that this production was lost. It was not the lack of the desire of the people to consume, but their lack of purchasing power.

Therefore, any attempt to solve the problem must come through increasing purchasing power to those who lack it.

That is also the case with manufactured goods—not only farm goods. So, the statement that I think I will submit to the committee will be based largely on an attempt to increase purchasing power by those who lack it. (See exhibit 4, p. 1699.)

I would like to comment on the question of public works. I don't believe in public works in general. There are certain things that everyone would concede are proper works for the Government to undertake, but a general public works program is made solely for the purpose of furnishing consumptive power to individuals who lack it at that time.

It should not be made with a view to furnishing them with work because work in itself is of no great consequence. We know many, many people, particularly in the warmer climates, where work is not the ultimate object. The ultimate object is enjoyment and happiness. Work in itself is of no value. We have been brought up in a debtor nation where in order to pay our debts, everybody has to work. In a creditor nation, it is not so necessary for people to work, or at least so many of them. The only people that we are interested in furnishing jobs to are the poor. We don't try to furnish jobs to the rich. We think if a man has sufficient income to live on that it is permissible or perfectly all right to do nothing and enjoy himself. Please remember until we try to get rich people to work as well as poor people we recognize the fact that work is not the prime requirement. So I say to you that public works engaged in for the sole purpose of furnishing jobs is not a proper activity of government.

I want to comment too on the question of high income in order to get some to the farmer. That is a pretty clumsy, unintelligent way of helping any group, to say, if our income is 100 billion a year, the farmers will get so much. We must raise it to 150 billion in order to get more to the farmers. The matter of how much should be the public income of the country is not, I think, a proper subject for Congress to worry about. The thing that Congress should worry about is getting consumptive power into the hands of those who lack it and then the distribution or the division of income will naturally go to the people who are producing and who should get it.

If the farmer has too small an income, it is probably because there is not sufficient demand for his produce. If you can increase that demand or double or triple it, the farmer would get more income.

It is after 1 o'clock now and I know you were planning on getting away at 1 o'clock, but I do appreciate your giving me this opportunity to say these few words to you and to have this brief chat with you.

The CHAIRMAN. We certainly appreciate your appearance here today and I want to thank you for coming.

I also want to take this occasion of expressing to the reporting service our appreciation for the very fine job that it has done. Thank you very much.

Now I also want to express our appreciation for all who have attended these hearings and for their contributions. It is a matter in which the people of the country are vitally interested. We are their public servants and we are giving our time trying to find out something that we can carry back and recommend to the Congress to help solve some of these problems that we all say must be solved.

The hearing will be closed.

(Thereupon, at 1:15 p. m., the hearing was adjourned subject to call.)

POST-WAR ECONOMIC POLICY AND PLANNING

WEDNESDAY, APRIL 25, 1945

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE ON
POSTWAR ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to notice, at 2 p. m., in room 1012, New House Office Building, Hon. Orville Zimmerman presiding.

Present: Representatives Zimmerman (presiding), Voorhis, Hope, and Simpson.

Also present: M. B. Folsom, staff director, and H. B. Arthur, consultant.

Mr. ZIMMERMAN. The committee will come to order.

Sometime ago Dr. Schultz of Chicago University, appeared before our subcommittee in Chicago and discussed with us some of the very important things which he thought should be considered in our work in trying to evolve a postwar agricultural program that would be helpful to the Nation in the years to come. Due to lack of time, Dr. Schultz was unable to finish discussion of the outline he presented at that hearing. We have asked him here today to complete his testimony. We will now hear from Dr. Schultz of Chicago University.

Dr. Schultz, will you give us a little something of your background, your connections, and the work you have done.

STATEMENT OF DR. THEODORE W. SCHULTZ, CHICAGO UNIVERSITY

Dr. SCHULTZ. My name is Theodore W. Schultz, professor of agricultural economics, University of Chicago. I was for 13 years a member of the staff at Iowa State College, the head of the department of economics and sociology there before joining the faculty of the University of Chicago.

Mr. Chairman, I would propose that with your permission we proceed in the same manner as we did at Chicago, if that is agreeable to you and meets with your wishes.

Mr. ZIMMERMAN. Would you rather make your statement and then we might ask questions?

Dr. SCHULTZ. At that time, as you recall, I was very happy in having you present questions as I proceeded.

Mr. ZIMMERMAN. Very well, then if it will not interfere with the statement you have in mind, the members will be at liberty to ask questions when they care to.

Dr. SCHULTZ. On December 15, 1944, I gave each member of the committee an outline (see p. 1341) suggesting four major problems consistent with the instructions you sent to the witnesses and I addressed myself to the problem of the instability of income from farming,

and pointed out how the instability is so very great, much greater than in other major sectors of the economy, and outlined the causes, stressing particularly business fluctuations. I then went on to discuss some of the principles that might well guide policy when you tackle the problem of instability of income from farming.

Today I should like to take the problem of underemployment in agriculture. It might also be called the low economic productivity of farm people.

What I want to say may be focused by two questions:

(1) Why have the earnings of most farm people been so exceedingly low over the years?

(2) How may farm people come to earn for themselves in the postwar a much higher per capita income than they did before the war?

These two questions are foremost in my mind as I make my comments. I shall not discuss the transition or the immediate food emergencies that are part of the war situation. My task is to examine first the causes and, second, the remedies for this problem of low economic productivity per person, measured in terms of what farm people earn.

I shall spend but a moment on a comparison of earnings. It might suffice simply to say that before the war started the 1940 census came up with the fact that half of the farmers in the United States earned, in terms of products which they used and sold, \$625 or less.

That is one figure that is very significant in this context.

I shall not distinguish between farm laborers and farm operators, people who are hired or people who are self-employed. Three-quarters of the people in agriculture are self-employed.

Mr. ZIMMERMAN. Pardon me, Dr. Schultz, at this point. This figure of \$625 includes those who are employed and those who are self-employed on half of the farms of the United States; is that right?

Dr. SCHULTZ. Yes, it means half the farms, as listed in the census, the total number being about 6,000,000 farms, which would mean about 3,000,000, if you want to use round figures, that produced products which they sold or used in their own households which had a value of \$625 or less.

Mr. VOORHIS. Those are farms, not people.

Dr. SCHULTZ. Farms; that is right.

To really acquire perspective on this low economic productivity as an historical process, it is necessary to consider the unequal growth of supply and demand for farm products. To do this let me outline three types of developments.

Type I.—We have had situations historically in which it appeared at least that the supply of food and the demand for food were growing at about the same rate. Let us dismiss that type I situation by simply saying that when that occurs no problem arises either on the food side, certainly the supply of food does not decrease per capita, and there is no farm problem in the sense that it becomes necessary to transfer resources out of agriculture. Agricultural surpluses do not appear.

Type II. This situation occurs where the demand increases more rapidly over time, than the supply—an unequal rate of growth in the two—with the demand forging ahead. That is the Malthusian thesis on which we have a rich literature. This formulation is deeply

imbedded in the thinking of western peoples. As it was originally put by Mr. Malthus 150 years ago, the focuses were upon over-population, shortages of land, diminishing returns in agriculture, and the specter of not enough food.

Type II certainly does not describe developments in most western countries. It would describe the food problem, however, of half of the peoples of the world—and perhaps over half; certainly of India and of China. Under that formulation there is constantly the tendency for the demands for food, for farm products, to push ahead of the supply. This tendency is certainly characteristic of most of the backward parts of the world, backward in terms of agricultural techniques.

Mr. VOORHIS. Could you answer a question at that point? Do you mean you think that even though there were substantial advances in agricultural techniques in China and India, the populations would still tend to outrun the supply of food?

Dr. SCHULTZ. My answer to your question would be yes.

Mr. VOORHIS. In other words, there would be a true Malthusian situation in China and India even though you could substantially increase the productivity per man-hour.

Dr. SCHULTZ. Yes. Now I might introduce here the classification of populations as given by Dr. Frank Notestein; namely, class I—Incipient Decline—which simply means both the death and birth rate have come down, and the birth rate is about to cross and drop below the death rate. The United States falls in this class and so do the countries of western Europe.

Class II—Transitional Growth. Here we have populations in which the death rate has fallen considerably and the birth rate is falling but they still are some distance apart. Russia is a perfect example of that; its population figures have been increasing very rapidly.

Then class III is what Dr. Notestein calls the High Potential Growth, where both death rates and birth rates are very high but in equilibrium. The first thing that happens when such a population is affected by modern knowledge, sanitation, industrialization, and so on, the death rate drops and then you have an explosion for the population sky rockets.

Mr. ZIMMERMAN. Pardon me just at that point.

Do you have any figures or statistics on the probabilities of our population, that is, the relation of deaths to births?

Dr. SCHULTZ. In this country?

Mr. ZIMMERMAN. Yes.

Dr. SCHULTZ. I will introduce certain figures in a moment about America.

Type III. To return now to the changes occurring in the supply and demand of farm products there is the development of an unequal growth of the supply and demand for farm products with the supply ahead—where the supply is growing more rapidly than the demand. It is my thesis this afternoon that this is the type of development that characterizes western countries—Canada, Australia, most of western Europe, and the United States.

Mr. HOPE. May I ask you a question right there?

What has the effect of the industrialization of the backward nations—I am speaking about the orientals, particularly—had on their birth

rate? Japan, for instance. Did the industrialization of Japan result in a decline in the birth rate there, or has that kept relatively the same?

Dr. SCHULTZ. There is an unpublished study at Princeton that suggests that the birth and death rates in Japan at the time the war started were behaving very much like those in Great Britain at about 1890; the curves were all bending in the same way. The industrial impact on births and deaths in Japan was similar to the industrialization that was in process in Great Britain about 50 years earlier.

Mr. HOPE. Would that justify us in thinking as the world becomes more greatly industrialized, as I think the tendency is everywhere, that we are going to run into that same situation? In other words, in areas in the oriental countries where the great increases in population have taken place in the last 100 years, what is the effect going to be if they industrialize, assuming that does take place as it did in Japan and will certainly take place to some extent?

Dr. SCHULTZ. Students are agreed that the industrialization itself will have an impact on the Orient similar to that which it has had in western countries: it expresses itself in raising standards of living, in raising wants, in raising the ideas and notions of maintaining a family at a better level of living and this leading to smaller families. Most students, however, are apprehensive that the long period of time that it takes—it seems to take decades—will result in a population not only twice (as they have increased in western countries), but three and four times as large and that is an explosion. Notestein's High Potential Growth has in that term implied this very thing. The big question is: Can that transition be made more quickly, could it be made in two decades, that is, bring both the death rate and birth rate down that quickly to levels consistent with a mature industrial-urban society?

Industrialization itself moves toward that end, but very, very, slowly; it does take many decades. Because it takes so many decades, there does occur this very large increase in absolute numbers.

May I return now to my main analysis.

Mr. HOPE. I did not intend to divert you too much from that.

Dr. SCHULTZ. You did not.

Type III (unique rates of growth of the supply and the demand for farm products with supply out ahead). What are the forces back of the demand and supply of farm products, pushing the supply ahead, increasing it at a more rapid rate broadly conceived, than the demand?

To anticipate my main conclusion at this point: to attain an equilibrium, it is necessary to transfer resources out of agriculture.

First, take the growth of the demand. Plainly the population growth is slackening. It is definitely dropping in terms of the rate of growth. Back during the decade of 1870-80 we had an increase of 26 percent. In the decade just before the war the population of the United States increased only 7.5 percent.

For the decade 1950-60 Whelpton Thompson puts the growth at 5.4 percent. Accordingly, not much more additional demand for farm products will originate from a further increase in numbers of people in the market orbit of the American farmer.

In Europe the rate of increase in population in prospect is even less. For all of Europe, outside of Russia, the projected increase in population for 1950-60 is 1.5 percent.

Mr. VOORHIS. How about Germany?

Dr. SCHULTZ. The rate of population increase is falling also.

Mr. VOORHIS. Germany's population has not dropped absolutely in recent years.

Dr. SCHULTZ. No.

Now, the point that I want to make is that the rate of growth is slackening and it is true as we look ahead, say to the first full decade after the war—we need not go further in the future here. It may well be after another decade something may occur that will change these rates of growth. People may become very concerned about population, as such. I would not be surprised if they did. Sweden is already much concerned about this problem.

Mr. HOPE. This is a little off the subject, but do you have any figures showing the increase in the birth rate in Germany, if there was one during the Hitler period preceding the war when there was a definite effort on the part of the state to increase the birth rate? Did that really accomplish anything?

Dr. SCHULTZ. I have no figures. However, I have in mind a statement of Dr. Notestein, who is the scholar I referred to earlier, in which he said that there is rather convincing evidence that most of the increases that came in the late thirties may be explained by the prosperity, people having a higher income, people marrying younger, something similar to what we picked up in the last 3 years. We also have had a sharp increase in births partly ascribable to better incomes and prosperity.

Mr. HOPE. I wondered if there was any evidence anywhere that an effort on the part of the Government—

Dr. SCHULTZ. Did actually increase the birth rate?

Mr. HOPE. Yes.

Dr. SCHULTZ. It was probably smaller than the crude figures would suggest; that is certainly one way of putting it.

Now, on the demand side, Mr. Chairman, the second thing that needs to be seen and stressed is that as people become richer they favor other things to farm products in their expenditures. We measure this expenditure by means of the income elasticity of a product and we say when people spend proportionally little of their added income for a product it has a low-income elasticity and when they spend proportionally much for a product it has a high-income elasticity. This happens to be crucial because as we become richer, as we attain higher incomes, as the American people, allocate their expenditure for the things they want they turn more to goods and services other than farm products.

We have picked up 40 percent in real income per head during the war. This is a conservative estimate. Let us suppose that we held this gain during the postwar. Does that mean that consumers would spend 40 percent more money in free and open markets at prewar relative prices for farm products? The answer is emphatically "No." The income elasticity of farm products is much lower than we have commonly supposed it to be. It is not even 0.5 which would mean, if we had a 40-percent increase in incomes per capita, people would spend 20 percent more on food. I have spent a good deal of my time during the last year on trying to ascertain the income elasticity of farm products and my best guess is that the income elasticity of farm products, is about 0.25. That would mean with a 40 percent increase in income per head it would result in a 10 percent increase

in demand. Accordingly, if we hold the incomes we now have attained it will not create nearly as much additional demand for farm products as is commonly supposed. This 10 percent increase, a population increase, which has been 6 percent, would mean a 16 percent increase in the demand for farm products.

Mr. HOPE. You are, of course, referring to dollar value now; is that correct? Are you referring to additional prices of farm products, consumed?

Dr. SCHULTZ. At the same relative prices, that is what I am really saying. If the food can be bought at the same relative prices as in 1939.

Mr. HOPE. There would be 10 percent more food consumed.

Dr. SCHULTZ. Yes; 10 percent on account of added income and 6 percent because of population increases, so the effective demand at the same relative prices as in 1939 would have increased 16 percent. Meanwhile agricultural production has increased about 25 percent. We must face the fact that consumers, as they acquire higher incomes, want proportionately more goods and services not produced by agriculture.

Mr. ZIMMERMAN. Shall we say this, the higher the standard of living the less demand for agricultural products proportionately?

Dr. SCHULTZ. Yes; if you say proportionately as you have.

Mr. HOPE. A smaller percentage of the income is spent for food as you go up.

Dr. SCHULTZ. That is right. •

This has still another aspect. People want more services attached to food as they become richer. Actually of the money spent at retail, less and less of it gets back to the point where the farmer sells, because again, as consumers become richer and have a higher standard of living they want more nonfarm services incorporated. That holds both for clothing and food.

Mr. VOORHIS. May I interrupt you at this point?

If you do not want the question right now you tell me, and throw it out.

It is something that has been on my mind, one I have thought a lot about. It is on this very point.

To what extent can the income of farm people be protected under these circumstances by having those farm people through cooperatives do some of those services themselves? I mean, wrap their own products in the fancier packages instead of having them done by somebody else? Do you see what I mean?

Dr. SCHULTZ. I see what you mean.

Mr. VOORHIS. Is the demand for additional services connected with food products growing, and to what extent?

Mr. ZIMMERMAN. Pardon me, Mr. Voorhis. I think you meant to say that the demand for products other than food products.

Mr. VOORHIS. He did at first.

Dr. SCHULTZ. These services are added and they have a higher income elasticity than do farm products generally, and I should answer this way. In principle, Mr. Voorhis, measures which will help farm people produce these services will enlarge the demand for agricultural resources, whether it is done through a cooperative or by them as private entrepreneurs, or in some other organizational framework.

You are saying in substance that this demand for nonagricultural services attached to food may well be produced by farm people, perhaps through a cooperative, perhaps through other firms, other devices.

There is a good deal to be said for doing some of this extra production on the two coasts. Less, however, is possible in the middle country, for on a 240-acre farm in Iowa, the farmer, even through a cooperative can add very little except perhaps to some dairy products.

Whereas, if you get into vegetable production, the sorting, grading, freezing, and packing of vegetables has been carried on right on the farm and it has created additional claims for resources including the labor of farm people.

I want to say a word also regarding the effects of nutrition on demand. You will have Dr. J. S. Davis tomorrow and his work has taken him much further into this subject than has mine. What I say is very tentative.

We have become a rather rich people and our production certainly in peacetime is going to be so abundant that we can well afford as a people to see to it that diets are adequate for all. Adequate diets for all persons can be made a goal in its own right and should stand, in my judgment, as a policy goal in addition to and on its own footing separate from the problems of agriculture.

Now what I want to say is this, that nutrition as knowledge, as new knowledge, and as a movement, is not going to add much additional demand for farm products in the aggregate. That is not to say it is not important to obtain adequate nutrition for everyone or that closing the gap so no person has an inadequate diet will not add to the demand.

Our nutrition as knowledge which is becoming increasingly important is a new kind of technique, a new kind of technological knowledge and as such it is teaching us how to get more utility out of food; and how to get the same amount of food with less effort in terms of agricultural land, labor, and other kinds of capital resources that are used to produce the food. If you spread this advance in knowledge over 10 to 20 years, all this research that is going on in nutrition will show us ways and means of becoming more efficient in the use of food. This new knowledge over time, will teach us how to live more cheaply in terms of the amount of land, labor, and capital it takes to produce the food people require.

Mr. ZIMMERMAN. You mean right there to say that it will take less food?

Dr. SCHULTZ. Yes; less food in the sense that ultimate resources costs will be less.

Mr. VOORHIS. Do you mean that?

Dr. SCHULTZ. Yes.

Mr. VOORHIS. I find that hard to believe.

Dr. SCHULTZ. I have probably not phrased it in a way so that I have put it in an absolutely accurate setting. Let me repeat, perhaps by analogy.

The advances in farm technology on the production side, the tractor, winter cover crops, hybrid seed, a thousand and one things are showing us how we can produce the same amount of food, farm products, with less and less resources and human effort.

Mr. VOORHIS. That is as to production.

Dr. SCHULTZ. Yes.

Let me say in the same way in consumption of food the nutritionist as a result of the findings coming from his laboratory, is teaching us how we can feed ourselves at less and less cost as a people, less cost in terms of the amount of labor, land, and capital it takes.

Mr. VOORHIS. Do you mean with an absolutely less amount of food than the average of what people consumed in the United States, let us say in 1939?

Dr. SCHULTZ. No.

Mr. VOORHIS. You do not mean if the population of the United States were adequately nourished we would consume less food?

Dr. SCHULTZ. No; it would take quite a bit more, of course.

Mr. VOORHIS. Your point is it would take less human and natural resources to produce that amount?

Dr. SCHULTZ. That is right.

Mr. VOORHIS. Rather than the total amount of food consumed would be less?

Dr. SCHULTZ. We are, of course, still far from adequate diets for all. It would take larger amounts of additional food to get adequate diets for all people in our society.

I am trying to separate here the impacts of new knowledge about food as it makes food more efficient.

Mr. HOPE. Now, let's see if I get what you mean. Assuming every one was adequately nourished today, you think that the advances in nutrition in the next 20 years would make it possible to give the same number of people the same adequate nourishment with less food?

Dr. SCHULTZ. That is right, and I would like to say with less effort, land, labor, and capital.

Mr. SIMPSON. Do you mean to say it would help to make a utility steak tasty?

Dr. SCHULTZ. You make that a difficult question.

The little tricks we learn in using one protein for another, one fat for another, and so on, are all part and parcel of this advance.

Mr. HOPE. We all know a lot can be done in the field of nutrition, but to what extent will peoples' tastes and preferences in the line of food tend to resist that or counterbalance that?

Dr. SCHULTZ. Now, the second force in nutrition is what will contribute to our value, our beliefs about food and our tastes.

Well, the whole cultural make-up of our people drives in the direction of more expensive diets as we become richer. Will new knowledge about nutrition alter that? Well, I do not know. My guess is that it may do so.

Mr. VOORHIS. May I ask one question there?

Isn't there a counterbalancing factor at work there to some extent in this way? That is, as there is advancement in nutrition, both from the point of view of knowledge and the point of view of actual practice and consumption in the country, isn't there a tendency, one, for an increased demand for farm products which are at present produced in short supply for even our domestic market and isn't there likely to be a demand for farm products which will bring a better return to the farmer who produces them than some of the things they have produced before?

Dr. SCHULTZ. I think the answer to the first is an easy "Yes." The second I would not know, I would simply restate my judgment as Congressman Hope did.

Supposing we all had an adequate nutritional diet as a people, which we certainly do not have. The new knowledge we get from nutrition, let us say during the next 5, 10, or 15 years, will show us how we can have the same adequate diet at less cost in terms of human effort and land, and so on. That is the point I am trying to make.

Mr. ARTHUR. Dr. Schultz, may I interrupt you? Aren't you defining the adequacy rather in chemical terms. Perhaps I am using the word "chemical" in a rather incorrect sense, but if adequacy were defined in a broad way to mean a satisfaction of taste for luxuries and special dishes it might encompass this rising cultural demand as well as the nutritional demand, as you stated.

Dr. SCHULTZ. Yes; that again focuses the two factors as you put it and you can link them as you are doing. I have a feeling it is well to separate them to the extent that we can and then when you do link them together you do get this other effect.

Briefly let me summarize at this point. First, the population growth has in it certain characteristics; its rate of growth is slackening. If we are fortunate enough to maintain the high income that we have attained from full employment there will be some added demand coming to agriculture as a consequence, but it will not be proportional to the increase in income, it will be far less because the income elasticity of farm products is very low.

On nutrition we have a big gap to pick up. Mr. Voorhis has called attention to that. Yet, knowledge about nutrition does not in itself generate new demands. Tastes for more expensive foods may come with higher income. New nutritional knowledge, however, is very akin to the new knowledge in agricultural production. It is showing us how to get more done and more accomplished with less effort.

Mr. HOPE. Wouldn't a good illustration of the point you made just a moment ago as to the part taste and habit play even as against all the information you might disseminate on nutrition, be shown by the taste of people for white bread. Now, for years the nutritionists have been talking about the harm of eating white bread and the advisability of eating the whole wheat bread and that sort of thing. But nobody really pays much attention to it. Finally that was gotten around by enriching the white bread. People still take white bread but it is enriched. I do not know whether nutritionists would consider they had accomplished all they had set out to do. But you certainly came near to it and you circumvented the taste of the people.

Now, I wonder if there are other possibilities along that line in the next 20 years, let us say.

Dr. SCHULTZ. I would prefer not to open that subject.

Mr. HOPE. I realize that.

Dr. SCHULTZ. I am not an authority on this subject. I am merely trying to put you on guard in a sense as to the aggregate effect of nutrition on the demand for food.

I do want to say a word or two on the supply side. Why is our supply of farm products growing so rapidly? I feel that we are in an era which is just really starting. New technologies being adopted

in agriculture, if we look at the world, are really found in only a few advanced areas, like western Canada, the Corn Belt, the Plains States, and in a few other types of farming in the United States. Advances in farm technology are just beginning to make themselves felt in a few parts of the world.

Suppose we ask this question: Can Russia produce enough food for an increase in its population of say 50 percent in the first 25 years after the war, which seems to be in the making? If in addition Russia had a 30-percent increase in per capita incomes and the income elasticity for food probably as high as 1.0 that would mean Russia would require 80 percent more food to satisfy that increased demand. Can Russia and her resources do it? If you think in terms of the Malthusian period as to agriculture it would appear impossible for agriculture of any large nation to expand 80 percent in the course of 25 years. I certainly am not a prophet, but I submit that the advances in agricultural technics are such that Russia or any major country may experience a dramatic development in its agricultural production of this magnitude.

Let us look at the United States. We are in a stage in our history where very rapid technological advances are in process; they are primarily labor saving, thus reducing the amount of labor that is needed in agricultural production.

Mr. ZIMMERMAN. It makes it cheaper to produce the crop.

Dr. SCHULTZ. It also cheapens the economic returns to human factors in agriculture in the first instance.

This development has been associated largely with tractors, and hybrid seed, but these are merely two, and there are many others. I spent 3 months in the South this winter trying to understand the deep South, particularly the lower half of Alabama. I am amazed at what winter cover crops are doing. In the Tennessee Valley there are counties where 70 percent of the cropland is now in winter crops although it was only 20 percent a few years ago. The effect of that on the output is just astonishing as hybrid seed corn in the Middle States.

This progress in technology on our farms is very excellent for society. It is an accomplishment we should be proud of as a people. But it does mean, on the supply side, that we are learning new practices and new technics which give us the same, or more, output of farm products with less capital, less land, and less labor. They are principally labor saving in their effect.

Mr. VOORHIS. Did you say less capital?

Dr. SCHULTZ. I did but I must change it. While in the long run that is what it will probably mean, in the next 10 years it will actually mean more capital.

Mr. ZIMMERMAN. Would you include in that program soil conservation too?

Dr. SCHULTZ. Yes, indeed, and it is very important.

Now, on the supply side you have one factor in production that is on the increase and that is the peculiar turn of our population pattern—the high natural increase of farm people. The number of young men that are becoming of age and coming into the labor force in agriculture is very large. In the first decade after the war it will be twice to three times the number that will be retiring or growing old having reached a retirement age. This is simply saying that the natural increase is high.

These forces reshaping the supply and demand for farm products can be gotten out of proportion. In any 1, 2, or 3 years, no one force should be weighted too heavily. To understand a decade or two in the making, however, these forces are of primary consideration.

The history on what the unequal growth of supply and demand of farm products has done to the supply of our labor force in agriculture is quite conclusive. It has simply meant as time goes on a decreasing proportion of the total labor force is required in agriculture.

Since the turn of the century, since 1900, the proportion of the labor of Canada engaged in agriculture has dropped from 40 to 22 percent in 1943. In Sweden it has gone down from 50 to 32 percent during 40 years, 1900 to 1940. In Australia it has dropped from 33 to 20 percent; Switzerland from 32 to 21 percent; and the same thing has been happening in France, Germany, Great Britain. In Japan the percent of the labor force in agriculture has dropped very rapidly during this period. In the United States this figure declined from 37 percent in 1900 to 20 percent in 1940, and then to 15 percent in 1944.

Leaving aside what has happened during the war the shift of people out of agriculture by and large has come too slow and too late. Accordingly people have been crowded into agriculture and the per capita income has been low as a result, especially in the South. It is not nearly so true of the Corn Belt. Corn Belt farm families have been able for various reasons, because of the location of industry, because of the wealth of the parents who have been able to help their daughters and sons to keep the excess supply of persons on farms down. For a large part of the South the migration has not happened nearly as rapidly.

Mr. VOORHIS. More or less as a footnote to that, don't you think that equalization of educational opportunity for rural people is important in this connection?

Dr. SCHULTZ. Yes; and it has a very high priority.

When you tackle this kind of problem over a long stretch, and I certainly do not feel I have the insight and competency to suggest what is adequate, and yet if you will permit me I will just mention a few measures in policy.

To redress this lack of balance, to make it possible that the per capita income earned by farm people might be higher I list several things.

1. We should be very careful that we do not become parties to a "Back to the Land Movement" after the war. By that I do not mean farmers' sons who come out of the armed service who want to farm and whose folks can start them at farming, shouldn't farm; it does not mean that at all. But it does mean avoiding a program of resettlement of the kind that several States undertook after the other war. Also we need to avoid the kind of thing that is happening around some of our cities right now. I am told that around Detroit and to a lesser extent around Chicago some laboring people are being induced to buy parcels of land with a notion that in the transition period of unemployment they can actually farm and become a part of the farming population. There are many short-sighted features in subsistence farming thus conceived.

2. Subsistence farming is certainly not an answer to this general problem of an excess supply of labor in agriculture. Subsistence

farming at best is a relief proposition when our industrial-urban society fails to perform and it is not an answer to the farm problem that I have presented.

Mr. HOPE. Right at that point, if we should achieve a certain decentralization of industry so that it would move out into the rural areas, to what extent would that be a solution of the problem? I am thinking of the program Henry Ford has taken some interest in of having people work in the factory half a day and work on the farm the other half. Is that any solution of the problem?

Dr. SCHULTZ. In this country we will develop a class of workers, whose number will become larger, who will earn a part, even a large part, of their real income in wages in a city and who will still engage in some farming.

Mr. HOPE. That is true to some extent, isn't it, of the 3,000,000 farms you mentioned in the beginning; that is, some of those people supplement their income?

Dr. SCHULTZ. Yes.

Mr. ZIMMERMAN. I would like to say this off the record.

(Discussion off the record.)

Mr. HOPE. You are speaking not so much of the possibility of people combining farming and factory employment but the opportunity that is given to the farm boy to get off the farm.

Dr. SCHULTZ. That is right.

Mr. HOPE. And get into industry.

Dr. SCHULTZ. Yes; but there is room for the other too. There is another category there. You see it around many textile towns and it makes a lot of sense where the family does supplement its income with a cow and some agricultural effort which gives them a decidedly higher standard of living.

Mr. ZIMMERMAN. As Mr. Hope suggested, if we are going to decentralize industry and carry industry to the South where there are many people who are not going to engage in agriculture and have to find some other employment, those people have got to look to industry for their source of living primarily, haven't they?

Dr. SCHULTZ. That is right.

Mr. ZIMMERMAN. It is going to be really an industrialized section?

Dr. SCHULTZ. Let us use the word industry in a broad sense, it means all services as well as industry—the whole gamut of services through light industries to heavy industries. The services are in many ways the section which has the largest potential demand as we get richer.

Mr. HOPE. Going back to this rate of decline in the proportion of labor force employed in agriculture, I believe you said it declined from 37 percent in 1900 to 15 percent and a decline from 30 to 15 percent has taken place since the war began, during the war. Now, was that so rapid that there will be a little rebound on that, do you think?

Dr. SCHULTZ. Yes; and it will rebound in the areas where the overpopulation is most serious. The rebound, let us say again in Iowa, will not take place to any significant extent. The rebound in Alabama will be very serious. For instance, from the shipyards in Mobile, when they close, where will workers go? In the main they have industries that are simply not compatible with a peace time economy—and that makes the problem serious.

When you look at the postwar period the thing that is significant here in the transition period. You have a farm price decline ahead and

a per capita decline in farm income further accentuated by larger numbers who have left farming who will temporarily at least go back to it. This all makes the problem from the point of view of the longer pull more difficult.

On the positive side what is needed most is the expansion of industry and the services of the country. The remedy for the underemployment in agriculture lies in this sphere in a very fundamental sense.

We ought to face up to the need for a labor outlook and governmental machinery to help this labor supply find itself. We have invested much money and have done a very excellent job in what we call the agricultural outlook ever since 1923. It has a great deal of meaning and significance to many thousands of farmers. But when a man or woman, a boy or a girl, comes to a point where they want to enter the labor force, they are isolated; they have no knowledge as to what labor force is needed in what services. How can one get that information and kind of knowledge to them so they can make decisions and commitments as to their future services?

Mr. ZIMMERMAN. That puts it squarely back to the problem of education; doesn't it?

Dr. SCHULTZ. Education in the longer pull. But what I am stressing is more current and immediate. At least once a year we ought to pool all the knowledge we have about labor needs for 1, 2, 3, and 5 years ahead and get this information out to every farm so that these young people can make their plans when they reach the point of taking a job elsewhere. With this Labor Outlook they will know better where they can go rather than depend upon gossip or a word from a relative who has become established elsewhere.

Very important here and very high on the list, of course, is what Mr. Voorhis has mentioned—investments in human agents, public investments in people of a kind that increase their productivity and their mobility. Education stands very high but health does, too, nutrition, and its effects on health.

Mr. ZIMMERMAN. Is that a national problem or State problem or where would you think it fits in as a responsibility?

Dr. SCHULTZ. You cannot separate the responsibility. It is National, State, and local. They are complementary and you have to find where in national policy it fits, but the job has to be done.

Again the lack is greatest in the area with the greatest burden, the cotton area in contrast to the Corn Belt. In all sections, however, it is of interest both nationally and locally.

Mr. HOPE. Right at that point I would like to say this: You had an item here on this outline that you have not discussed. That is No. 5, under "D," "Does more leisure on farms offer some assistance?"

I would like to have your comments on that.

Dr. SCHULTZ. The observation I would make on that is this: This labor-saving technology that is coming and has come to many farm people comes in the form in which the farmer has the choice of either enlarging his operations—using it for that purpose to take on more land—or to use it for somewhat more free time, work a little less.

I have a small Iowa farm. The family on that farm has farmed very well and thus during the war has enjoyed, as I have, a fairly high income, and I asked Mr. Homer Evans recently what he was going to do with his wartime savings. He said he was going to buy a complete new set of machinery, a new tractor, a corn picker, and so on.

He says—"By golly, we are going to work less, 3 hours less a day." He would have to reduce the number of hours anyway to have some decent life in view of the extra hours he and his family have been working the last few years. He is going to make that choice, at least that is what he and his family have in mind at present.

The import of what I am saying is this: That we ought to help farm people acquire an awareness of the importance of that choice. When they reach a point, as many farmers have currently, when they are not pressed by debt commitments and have better incomes, they can choose to follow a more leisurely pattern using some of these labor-saving devices. Many of them will rate that low and will press for a larger enterprise and will not thus use the technology for leisure.

Now, the choice has to be free in the last analysis and there is where education, has an important role to play.

Unfortunately, Congressman Hope, in agriculture, because of the very nature of the competitive organization of agriculture, it tends to give farmers too little leisure, whereas in other parts of our economy some workers get too much leisure, people who would rather work another hour or two, and have the extra income.

MR. HOPE. I take it from what you say you do not think that is to be any considerable factor then in this problem of oversupply of labor that we have on the farm.

DR. SCHULTZ. It will not absorb much of this oversupply. In the long pull it would absorb a good deal, but in any 5-year period, no, because peoples' values with regard to leisure do not change rapidly. This change comes slowly as farmers reconsider their own positions with respect to their rising income.

MR. HOPE. But the farmer you speak of who says he is going to work 3 hours less a day, I presume is fairly typical, isn't he?

DR. SCHULTZ. He has worked 2 hours more during the war period than he would normally and so he is cutting back that plus another hour at the most.

MR. HOPE. He feels that way naturally now. But if he cut off the extra 2 hours he has been working and goes back to his normal working hours, he might be satisfied with that.

MR. VOORHIS. Is not the answer that he will do it as long as he can make a fairly decent income, but as soon as you get a price decline, won't you get a vicious circle where they will all start working as long as they can possibly stand it in order to try to produce?

DR. SCHULTZ. It is not the decline itself, Mr. Voorhis, it is the fact that farm prices become very uncertain. If he is confronted by an economic horizon that is clouded and uncertain, then he begins to hedge, tries to accumulate assets and capital which he would consider unnecessary if he felt the outlook was more certain.

MR. ZIMMERMAN. Don't you think if a man decides he is not getting enough income off that farm by working less hours, he will double the hours in order to make a little more money to buy a little larger tract of land so he can have more hogs and more corn and get a greater income and so on?

DR. SCHULTZ. We get a peculiar twist in agriculture. When farm prices become very high you get more production effort and also when farm prices drop sharply.

To economize on your time, what is important in what I have said is simply that as we look ahead it is necessary to understand the forces

that are reshaping the supply and demand for farm products. The effects of these forces are fundamental and primary; over a 20-year period they dominate the agricultural situation. In them we find the causes for the low economic productivity of farm people.

To bring about an improvement in this situation we must pave the way for a redistribution of labor force. This approach is necessary if the per capita income in agriculture is to be redressed more favorably to farm people.

Thus to put this point more bluntly, it may mean that in addition to the 5 million persons (net) that have left agriculture during this war there are today another five to seven million farm people, largely in the agricultural south—who burden greatly the per-capita income of that agriculture; who are the excess supply of labor in agriculture, and who must find jobs in other parts of our economy.

Mr. ZIMMERMAN. Unless we make this shift of farm labor to industrial centers, and relieve the excess labor that exists in a lot of these southern communities you have been talking about, farm income is going to be low regardless of the price they receive for the commodities; isn't that the fact?

Dr. SCHULTZ. Yes; you cannot get at that problem by prices. You may destroy the demand if you attack it by prices. Price stability and income stability caused by business fluctuation should be corrected, but it is really not possible to bring incomes of any adequacy to the Piedmont by merely raising prices even with 40 cents for cotton.

Mr. ZIMMERMAN. Are there any further questions of Dr. Schultz?

Mr. ARTHUR. May I ask Dr. Schultz a question?

I would like to have your views with respect to what kind of program should be adopted for the transition to other productive activities of farmers who are on the low-income-producing farms.

The question comes up in connection with proposals to force their relocation as against providing the opportunities and leaving it optional with them.

Dr. SCHULTZ. The choice is simple. The approach must be one permitting free choice and none other. The opportunities are large if we attain the first essential and that is a high level of employment and production in our economy. If this country operates in any other environment it will be terribly hard to even begin. Again, let me refer to the Piedmont. The war has drawn many farm people out of it. You can go north from Auburn, Ala., and within 20 miles find scores of farm homes standing empty and the land not in cultivation. It is not expensive land, ranging from \$5 to \$15 an acre.

There is need in that area for a farm-enlargement program right now. The 80-acre farms are as obsolete as can be. The family that wants to stay in agriculture must acquire a 240-acre farm or larger and to do that some real help is required.

Those of you who have come up against the credit issue know that both the public and private credit available is wholly inadequate and does not serve this kind of an adjustment.

I am convinced that a person might take capital out of the Corn Belt, for instance take the capital out of my farm and invest it in the Piedmont and earn a higher rate of return on the capital.

Mr. SIMPSON. You mean because of the cheaper price of acres you can do that?

Dr. SCHULTZ. No; because in that area they are "starved" for capital more than any other section I have ever seen in agriculture.

Mr. SIMPSON. Why do you think you can make more money down there in the same type of investment in agriculture than you can in Iowa?

Dr. SCHULTZ. Because capital is at a premium. It will earn a higher rate at the present time.

The banks and public agencies are tuned to a very obsolete agriculture. I can go into detail as to what is called for but since it is a bit afield I will not unless you want me to do so. But this aside on your question: Once the oversupply of labor is no longer an obstacle—in some areas the war has drawn out large numbers—then it is necessary to face up to the fact that credit institutions public and private, although they are prepared to advance credit for lands, small amounts for building and perhaps a little for machinery, they are not prepared to supply the kind of credit needed most in the Piedmont, for example. They need something else. But that is another subject.

Mr. ZIMMERMAN. Off the record.

(Discussion off the record.)

Mr. ZIMMERMAN. The problem in areas where there is submarginal land is that you have to enlarge the economic unit, make it big enough to sustain a family.

Dr. SCHULTZ. That is right.

Mr. ZIMMERMAN. It is just as it is, I believe, in Mr. Hope's territory. It requires more acres to sustain a cow during the summer than it does down in Mississippi where it rains and grass grows very luxuriantly. It takes more acres there to have a profitable herd of cattle. You have to have more acres to support a herd in order to support a family. That is what you are trying to say as to one of the problems down there. When you have a man on a small unit it will not support a family and you have an undesirable situation.

Dr. SCHULTZ. I would like to say this off the record.

Mr. ZIMMERMAN. Off the record.

(Discussion off the record.)

Mr. ZIMMERMAN. If there are no further questions we will adjourn this meeting. I believe Dr. Davis is to appear tomorrow afternoon at 2 o'clock. Dr. Schultz, on behalf of the subcommittee I want to express to you our sincere appreciation for your coming here today and giving us this very informative statement which I am sure will be very helpful to this committee.

(Whereupon, at 4:30 p. m., the hearing was adjourned to the following day at 2 p. m.)

POST-WAR ECONOMIC POLICY AND PLANNING

THURSDAY, APRIL 26, 1945

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE ON
POST-WAR ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 2 p. m., in House Ways and Means Committee room, United States Capitol, Hon. Orville Zimmerman, presiding.

Present: Representatives Zimmerman (presiding), Voorhis, Hope, Murdock, and Simpson.

Also present: M. B. Folsom, staff director, and H. B. Arthur, consultant.

Mr. ZIMMERMAN. The committee will come to order.

Mr. Davis, I believe you are ready to proceed to give us a statement on some of our agricultural problems. I recall very pleasantly the informal appearance you made before us and we were very much impressed with your statement and thought we would like to have you make a formal statement that might be made a matter of record for the study of this committee.

Give us a little of your background.

STATEMENT OF JOSEPH S. DAVIS

Mr. DAVIS. My name is Joseph S. Davis. I grew up in rural Pennsylvania. I studied at Harvard and was for several years in the Department of Economics at Harvard University.

In 1921 I was appointed one of three directors of a new food-research institute that was established at Stanford University. I have been a director—in 1937-42 sole director—of that institute for the past 24 years. We have there concentrated on national and world problems of food and agriculture with special reference to policy.

In the last few years some of my colleagues and I have been studying especially experience under international commodity agreements and the possibilities of such agreements for good and for evil.

Is that sufficient background?

Mr. ZIMMERMAN. I think it is all right. You may now proceed in your own way. If you would prefer we will not ask questions until you conclude, or if you prefer, we will have it open for our questions.

Mr. DAVIS. I shall be happy to be interrupted at any time, Mr. Chairman.

Mr. ZIMMERMAN. Very well.

Mr. DAVIS. I listened yesterday to Dr. Schultz' important statement with great interest and substantial approval. Economists, of course, can always differ among themselves, but I don't think I need

take any time to go into such minor differences as I have with the positions he expressed.

I should like rather to address myself to some other phases of farm problems and policies, and in particular to the relationship between our foreign-trade policy and domestic agricultural policies. But first I should like to make a few rather broad preliminary statements.

Despite the great prosperity that American farmers have enjoyed in this World War and the previous one, I am sure that we and they will agree that durable world peace is profoundly to be desired. Just now our hopes are centering in the Security Conference that opened yesterday in San Francisco. But I think we realize that the best efforts to check aggressions and to enforce peace will be futile unless national economic policies can be brought increasingly into harmony, and unless sources of grievance between nations can be effectually dealt with.

We have been prone to consider domestic agricultural policies, among others, as simply our own affair. But I think we must begin to recognize that their consequences are far reaching, that they are the concern of other nations, and that the domestic agricultural policies of other nations are, in a real sense, some concern of ours.

I share the view, now generally accepted, that maintenance of high-level employment in the American economy as a whole is of fundamental importance from every standpoint, including that of American agriculture and that of world peace. It is on the success of policies to maintain employment and to moderate the swings of business that I think we must mainly depend for lessening the instability of income in agriculture, with which you are necessarily concerned.

But there is great danger at present in setting our sights too high in respect of numbers of jobs, in respect of the size of the national income, in respect of the size of agricultural income, and in respect of the attainable degree of stability in business and agriculture. If we shoot too high we can miss the goal as badly as if we shoot too low.

We are overemployed now, in wartime, as compared with peacetime conditions. Many prices and many incomes are abnormally inflated. The boom in farm-land values is dangerous, and attempts to stabilize on such distorted wartime levels makes for collapse rather than for stability. It is orderly readjustment that is imperatively needed in the transition from where we are to the level that can be called normal in peace.

Mr. ZIMMERMAN. Pardon me at that point. You say you think we are now in the midst of inflation and you designated the price of farm land as one example. Do you think that the price of agricultural products reflects inflation, present prices, prices obtained during this war?

Mr. DAVIS. Yes; but, I didn't approach it in quite the way your question implies. We have deliberately pushed up the prices of many farm products out of relationship with prices of various other products, many of which we have deliberately kept down. It is that distortion of relationships that is, I think, in large part responsible for the rise in land values. It rests on the assumption that a considerable part of this price level of farm products can be retained in peacetime. The inflationary forces have found various outlets, but I was referring rather to specific aspects than to the more general ones.

Mr. ZIMMERMAN. I wonder too if you thought about the relationship of a desire on the part of a lot of wealthy people, people who have made a lot of money out of war contracts and don't know what to do with it, who have gone out and sought land as a kind of place to abide, maybe, in case the worse comes to the worst sometime in the future. Has that had much to do with this inflation of land prices?

Mr. DAVIS. Undoubtedly that has been part of the demand for land, but only a part and not in my opinion a major part.

Mr. ZIMMERMAN. You still adhere to the belief that the major part of our inflation, so far as land values are concerned, comes from the price of the farm commodities?

Mr. DAVIS. Fundamentally, I think that is the most important factor.

Mr. ZIMMERMAN. Very well.

Mr. HOPE. Right at that point, Mr. Davis, you made a statement, if I heard you correctly, that we had deliberately boosted the price of some farm commodities. That wasn't my impression. There may be one or two commodities where the floor has raised the price higher than would be the case otherwise, but there are only a very few of those cases I can think of. In other words, our regulations in farm commodities have been almost altogether along the line of ceilings.

I can't think of anything right now excepting hogs where for any considerable period of time—and eggs during a flush period—the price went below the floor or the fixed price.

That is not an important matter right now perhaps, but I was leading—although I would like to have you comment on it, if you care to—to the legislation which has been enacted setting floors at least 90 percent of parity on a large number of commodities during the emergency.

I wonder if you are going to comment on that legislation as you go along, as to its effect, whether you think it is something that should be maintained or modified, or done away with.

Mr. DAVIS. I shall come back to it briefly toward the end. But I would like to answer your question now.

The successive laws which have raised the percentage of parity determining the loan rates on various products, cotton, corn, wheat, and so forth, have been responsible for raising prices of those products above what the market would have required.

Mr. HOPE. You are speaking of the prewar period, are you?

Mr. DAVIS. To some extent before the European war, but to a greater extent by changes in legislation subsequently. We wouldn't have had 22-cent cotton or wheat at over \$1.40 a bushel on the farm if it hadn't been for such legislation.

Mr. HOPE. I agree with you up to a certain period, that is, before the beginning of the European war, and sometime after, the price of wheat and cotton was determined by the loan rates, but during the past 2 years, hasn't it been true that both wheat and cotton, particularly wheat, has been above the loan rates during most of the year and it has been hitting the ceiling most of the time during the last two marketing seasons?

Mr. DAVIS. Yes; but during that period there have been other measures, some of them raising loan rates, and including purchases by the Commodity Credit Corporation in the market, designed to

support or raise prices. Public measures have brought it about that, in the year when we harvested the largest wheat crop in our history, when we had a considerable carry-over although not as large as the year before, wheat prices have been pushed up to scarcity levels.

Mr. HOPE. They would have gone higher, would they not, if it hadn't been for the ceiling?

Mr. DAVIS. Well, if we had had the other measures operating as they did, and no ceiling, undoubtedly wheat prices could have gone higher. If we had had none of these supporting measures, I doubt very much whether wheat prices would have gone to the ceiling.

Mr. HOPE. When the demand for grain alcohol was as great as it was, had there been no ceiling at all on the price of grain, might not those prices have gone up to the ceiling without any Government purchases at all?

Mr. DAVIS. There may well have been periods in the past 2 years, when, in the absence of ceilings, the prices would have been higher, but, by and large, the price-raising influences of Government measures have been greater over that period, as a whole, than the price-restricting influence of the ceiling.

Mr. HOPE. You are speaking about certain commodities; you are not speaking about the whole field of agricultural commodities, are you?

Mr. DAVIS. When this is true of commodities as basic in our agriculture as cotton, wheat, and corn, it has meant that the prices of products competing for the land had to be set high in order to pull land into these other crops, soybeans and peanuts, for example, in competition with the production of cotton, wheat and corn. In other words, the whole level of our agricultural prices has been pushed up by the policy that we have pursued.

Mr. HOPE. Well, if we had those ceilings on livestock prices during the last 3 years, don't you think that the price of grains—leave out cotton—would have gone higher than it has without any Government interference in the picture at all?

Mr. DAVIS. The livestock situation is more complicated and has changed more in that period. I am afraid I can't reconstruct what would have been the probable situation under a somewhat different assumption.

The first move to which you referred a while ago, of setting a support price for hogs of \$13.75—wasn't that the price?

Mr. HOPE. I think it was at one time. It has gone up and down.

Mr. DAVIS. That so stimulated the production of hogs that, together with the influences affecting the number of cattle, we had an impossibly large demand on our feed supply. I mean there was an effort to expand our meat base to which the responses of farmers were so extreme that it put us into difficulties in regard to feed supplies, as I am sure you know. And that situation did create, in turn, a very heavy demand for feed supplies which involved not only using domestic wheat heavily for feed, but the importation of wheat and other feeds from Canada.

Mr. HOPE. I don't want to take any definite date because I do not have any figures for definite dates. But, say for the last 3 years my recollection is that the price of all meat animals was crowding the ceiling most of the time, and while there may have been a few weeks during that time when the price support on hogs, we will say,

was keeping the price up most of the time, the price of hogs was above the support price and was not dependent upon that price. There were only a few short brief periods during that time when hog prices had to be supported, just the same as egg prices had to be supported a year ago when favorable weather brought about a production that no one anticipated.

I realize that there are so many ifs and ands in this that it is pretty difficult for anybody to say what would have happened if we hadn't done certain things, but I can't quite agree with your statement that the Government policies during the past 2 or 3 years have been deliberately designed to increase agricultural prices. It seems to me the over-all policy has been to hold them down and if it hadn't been for the ceiling we would have had farm prices higher than they have been.

I will be glad to have any further comments on it that you want to make. I don't know that that is particularly pertinent here.

Mr. DAVIS. It is rather fundamental to the position I hold. I am sure that if we had chosen otherwise it would not have been essential, in managing our food and agriculture during the war, that farm prices should have more than doubled since the beginning of the war.

Mr. HOPE. According to my viewpoint they were abnormal before the war. I imagine you differ with that.

Mr. DAVIS. In 1939, at the beginning of the war, they were somewhat below, I think, what you can consider the long-time normal. I do not think they could be called in 1939 extremely low, as they certainly were in 1933. They were moderately below, and they might well have gone moderately above, a peacetime level.

Mr. ZIMMERMAN. Pardon me for interrupting. I am sure you will recall that during World War I, I believe they did finally try to put a ceiling on wheat. I believe it was \$2.25 a bushel. Cotton got to 25 or 30 cents a pound. Corn—I have forgotten the figure on that—likewise went up. We had no legislative action to depress these prices for quite a while. Wouldn't that same thing have happened if we hadn't had the legislation preventing the rapid rise in farm prices?

Mr. DAVIS. It happened in World War I that there was a shortage of wheat, of cereals as a whole, and of cotton, I believe, as well, and the heights to which prices rose were a result of heavy drains on our limited surpluses for export urgently needed overseas, in response to that shortage.

In this war there has been no world shortage of either wheat or cotton. Both have been in abundant supply. They haven't been where they were needed at the time they were needed, but we still have a carry-over of cotton equal to an average crop and we have a carry-over of wheat larger than in almost any year previous to this war. That difference is fundamental.

There has been no inherent basis for skyrocketing of wheat or cotton prices during this war as there was in reality during the last war.

Mr. FOLSOM. You also had a much higher price level in general during the last war.

Mr. HOPE. What, in your opinion, would have been the effect on agricultural prices generally if we had had no floors or no ceilings on agricultural prices during the war?

Mr. DAVIS. Well, I don't know that that policy was really feasible, economically or politically, but if we had had what I would have considered much more reasonable—a floor substantially below the

floors that have been imposed and a ceiling somewhat higher than the ceilings that have been applied, we should have had room for response to economic conditions rather than the recurrent difficulties with the flow of supplies which have occurred in corn, at times in wheat, and in various other products. I think that would have been wiser, but I don't think you want me to talk about wartime policy, do you?

Mr. HOPE. No. I think maybe we have gone as far as we need to go into that, because we are talking about postwar, of course.

Mr. ARTHUR. May I ask one question, Mr. Chairman?

Mr. ZIMMERMAN. Yes.

Mr. ARTHUR. The ceiling structure on agricultural products as it exists now does represent, in your opinion, a disproportionately higher level for agriculture as against the total commodity structure, defined by ceiling, as compared with a normal peacetime relationship? Is that one of the points you wanted to make?

Mr. DAVIS. Yes. Both the support levels and the ceiling levels are, in my opinion, out of line upward, considering the relationship of agricultural prices that we may expect to obtain over a period of years.

Mr. VOORHIS. Do you mean in answering Mr. Arthur's question that you think that the present general level of agricultural prices relative to other products is out of line with what they normally have been, or do you mean they are higher than they ought to be in equity to other prices? If you mean the latter, I wouldn't agree.

Mr. DAVIS. I mean higher than they can be successfully maintained without creating new problems, new distortions, that will be worse than the older. They are economically out of line upward.

Mr. HOPE. Of course, on this question of floors, they may have been placed at the wrong point, I don't know anything about that. I have no opinion I want to express on that. Of course, the purpose in establishing all the floors was to get a certain amount of production. We did get a pretty good level of agricultural production, and I believe you will agree that we did succeed in doing that.

Mr. DAVIS. Absolutely.

Mr. HOPE. Now, it may have thrown prices out of line both as to the floors and ceilings, compared with other products, but in relation to other types of war production you wouldn't say that agricultural prices have been out of line, would you?

Mr. DAVIS. I am sure that as great a volume of production could have been attained without carrying prices of agricultural products so high. In other words, to the extent that premiums had to be offered to induce shifts into soybeans, peanuts, and various other crops, it was essential to raise their prices; to the extent that it was necessary to compensate for higher cost of labor, longer working hours, difficulties with machinery, and so on, increase of prices was necessary; but the basic legislation affecting the setting of prices of these basic crops which did not need to be increased in production, cotton, corn, and wheat, for example, or the production of which would have been increased without such extreme stimulus, raised the whole level.

Now, even if it were correct—I believe it not to be correct—to say that all this advance in prices was necessary to bring forth the amount of production, as a whole, that we have had I would still say

that after the war, not needing any such volume of production as we need during the war, we cannot afford to maintain prices at that level in relation to the levels of other commodities.

Mr. HOPE. That is getting into the question I was leading up to. That is the legislation we now have on the statute books fixing floors on a large number of commodities at 90 percent parity for 2 years following the war.

Mr. DAVIS. At this point I would like merely to say that we find the greatest price collapses in various commodities to have usually followed large-scale price-supporting measures, usually involving heavy accumulation of stocks.

This happened after the Farm Board's accumulation of wheat, supplemented by the Canadian stabilization purchases in Canada. It happened in Brazil when they finally, late in 1937, gave up their coffee stabilization policy. It happened with cotton in the same period as the Farm Board's experience with wheat. It happened with rubber, in a little different sense, in the late 1920's.

That is a danger. Attempts to stabilize on a level that cannot be safely maintained may lead to a price collapse, deferred but not prevented, and may interfere with the stabilization of the economy which we strongly believe in. I believe that the agricultural situation is in a dangerous position from that standpoint.

Mr. HOPE. In the course of your remarks are you going to discuss the matter of price stabilization at all, or discuss any levels at which you think prices of farm commodities should be stabilized? Do you intend to go into that?

Mr. DAVIS. As a matter of postwar policy, I shall come to some expression of views on it.

At this point I want to add merely that chronic surpluses of farm products are not to be feared except as a consequence of vigorous national measures ill-coordinated with one another. I see no prospect of avoiding chronic surpluses if the nations follow such various policies, and I hope that some other types of international economic relations can be established.

Mr. HOPE. Are you going into the international wheat agreement during the course of your statement?

Mr. DAVIS. I hadn't planned to go into that. I want now to get into the question of foreign-trade policy.

Mr. HOPE. If we get through in time I would like to have your views on the international wheat agreement or any agreements of that type, but perhaps I had better not suggest that now, Mr. Chairman.

Mr. DAVIS. I would rather not go into that matter at this moment.

I want to say that the United States, and American farmers in particular, have a great deal to gain from rising levels of consumption and living, which I prefer to say rather than rising "standards." It is a matter of levels.

I think that raising levels of consumption and living should be regarded as the over-all objective of national and international policy. I don't suppose many of you would disagree. International policies of nations that will contribute to that central objective are of far greater importance to our welfare than we have generally realized heretofore.

If we are safely to improve our consumption level and plane of living, as we earnestly desire, it must be a part of a world-wide movement in which we are doing our share. Prosperity and depression are

both contagious, and increasing disparities between levels of living, within a nation or among nations, are highly dangerous. They lead to revolutions; they lead to wars.

World peace and prosperity and rising levels of living depend very heavily on freer international trade, with the flow of commodities and services proceeding under the influence of economic forces and not determined by administrative decisions under rigid legislation or agreements. An impoverished world urgently needs to take the fullest advantage of the international division of labor, whereby each region contributes according to its best ability to produce.

In a world of freer trade—I mean freer than we had in the decade before the present war—the opportunities for world-wide expansion of consumption of farm products are far greater than they could be under a system of tight national and international control. I believe they are much greater than Dr. Schultz' discussion yesterday would lead you to infer. When he spoke of the limitations imposed by decline in population growth he was referring primarily to western Europe, which is only part of the world from the standpoint of potential advance in the plane of living, and he brought out that the population increase elsewhere is likely to be far greater.

In the great depression of the 1930's in the subsequent stage of preparation for war, and again in the war itself, we have seen increasing obstructions to international trade.

MR. HOPE. Could I interrupt you right there? Going back to that point you mentioned as potential consumption in other areas than western Europe, to what extent will that potential consumption be met by increased production of agricultural products in those areas? Won't we normally have some increase in the agricultural production in those particular areas also?

MR. DAVIS. Undoubtedly.

MR. HOPE. You don't think that would equal the potential increase in consumption?

MR. DAVIS. The world's potentialities for increase in consumption are likely in many areas to press on the world potentialities for increase in production. One tends to lead to the other.

MR. HOPE. But you think for a good many years ahead a rising standard of living in the world will result in a greater demand for food than the increase which might come about in those countries which secure that rising standard of living; that is, in China or India you think the demand for food will be greater than they could supply even if they greatly increase their efficiency of agriculture?

MR. DAVIS. There can be exchange of foodstuffs between United States and China. There has been and there can be again. If the purchasing power of China is in some way enhanced so that they can buy some things from us, some foodstuffs are among the things they would take. For example, we, Australia, and Canada can supply wheat to their port cities, their coastal region, cheaper than it can be supplied from central China.

MR. ZIMMERMAN. Am I wrong in that this country, where we have high wages, we produce rice and ship it to China and have done it for several years?

MR. DAVIS. That is exceptional, but not at all impossible.

MR. ZIMMERMAN. Do you know whether that is a true statement? I heard it made.

Mr. DAVIS. We have even shipped it to Japan, but that was exceptional. It is not customary for us to be able to compete in the Orient with the rice of southeastern Asia, but there have been times when we succeeded in doing so.

What counts, as you know, in international trade, is not the relative wages in the two countries, but the per unit cost of the product laid down at the particular point, and that unit cost may be lower on the part of our exports if we are sufficiently skilled in the production, as we are in automobiles, as we are in many other products.

I was in the midst of saying that during the war, as well as before, there have been in this country many obstructions to trade and increasing reliance on administrative controls and increasing restrictions on individual enterprise.

No one, I think, expects an immediate cutting off of that whole system of controls as soon as VE-day is proclaimed. But we are facing, and have been for a year or more—in the Government, as well as among the people—a decision whether we are going to convert this wartime system of controls into a tight peacetime system, differing in details, or whether we are going to abolish these controls by degrees in favor of greater freedom of trade than we had before the war.

Now, it is my mature conviction that the hope of the United States of America and the world lies in freer trade and not in tighter controls, national and international. One control breeds another, and the system tends to grow, if not to the point of serfdom as Professor Hayek recently argued in his book *The Road to Serfdom*, certainly to a degree menacing individual enterprise, efficiency, and personal freedom besides.

Mr. ZIMMERMAN. Do you mind elaborating a little bit on what you mean by controls at this point, what you have in mind when you make that statement?

Mr. DAVIS. Our War Production Board, War Food Administration, Office of Price Administration, and Foreign Economic Administration are all operating control systems, saying what shall and shall not be allowed.

Mr. ZIMMERMAN. Of course those are war measures.

Mr. DAVIS. I am not arguing that they shouldn't be here in wartime. I am saying that there are many who say they should merely be converted into a peacetime system.

Mr. ZIMMERMAN. In setting up most of these controls the law provides for automatic termination. Isn't that right, Mr. Hope?

Mr. HOPE. We have got to extend the Office of Price Administration by July 1 or they will be out entirely.

Mr. ZIMMERMAN. As far as I know every one of them have a very definite time of termination. Congress, I think, very definitely had in mind that they didn't want to continue them any longer than necessary when these acts were placed on the statute books.

Mr. DAVIS. I am glad to see that evidence and I don't want to flog a dead horse. I am simply saying that in spite of such disposition on the part of Congress there is still a group of people who favor converting, under camouflage or otherwise, these controls into peacetime controls.

Mr. ZIMMERMAN. Do you have tariffs in mind when you speak of controls?

Mr. DAVIS. Not in this far-reaching sense. They are a mild form of control and are part of the system, but the simplest and in many ways the least objectionable part.

Mr. ZIMMERMAN. I would like to get this and then I will quit. If we are correct in saying we think when the war is over that these controls, such as the Office of Price Administration and the War Food Administration and the War Production Board, are terminated then what controls would we have to deal with in a post-war economy for agriculture? What are some of the other things you think we ought to give our attention to that might seriously interfere with the well-being of our agriculture?

Mr. DAVIS. Maybe I am jumping a little too far ahead. I wish you would wait with that question a little while, if you will.

Mr. ZIMMERMAN. All right, sir.

Mr. DAVIS. Well, Secretary Hull has been a leading spokesman for the view that we need freer trade rather than tighter controls, and State Department officials before and since Secretary Hull's resignation have forcefully expressed the same view. It is even embodied in some international understandings, such as the mutual-aid agreements. It was supported in detail at the International Business Conference in Rye, N. Y., last fall. In his last annual message to Congress, President Roosevelt said:

We support the greatest possible freedom of trade and commerce.

We Americans have always believed in freedom of opportunity, and equality of opportunity remains one of the principal objectives of our national life. What we believe in for individuals, we believe in also for nations. We are opposed to restrictions, whether by public act or private arrangement, which distort and impair commerce, transit, and trade.

We have house cleaning of our own to do in this regard. But it is our hope, not only in the interest of our own prosperity but in the interest of the prosperity of the world, that trade and commerce and access to materials and markets may be freer after this war than ever before in the history of the world.

I believe in that doctrine and I think President Roosevelt expressed the dominant view in the administration, and I hope in Congress.

The difficulty comes, however, in translating such broad principles into practice, and I want to come shortly to some of those problems. Meanwhile I should like to interpose this observation.

The United States is going to emerge from this war extremely strong, both absolutely and relatively. We can, if we will, solve our national problems in ways that help rather than hurt other peoples. And if we succumb to temptations to raise our tariffs, to restrict imports by quotas, to dump our exports with the aid of subsidies, open or disguised, we shall hurt other nations that urgently need our help.

Moreover, our example is powerful. If in our strength we resort to such tactics we shall cut the pattern that others in their weakness will follow. If, on the other hand, we can translate the principles that President Roosevelt has expressed into sound practice, we can powerfully influence world policies toward freer trade, greater abundance, and fruitful international friendship.

And that means, as I see it, that we must be prepared to import liberally the commodities and services that other peoples can provide more cheaply than we can, in order to give them purchasing power for the products that we can produce more cheaply than they can.

This can do more than anything else to promote the recovery of broken national economies, toward providing the basis for sound

reconstruction loans that they need, and toward preventing international frictions that would sow the seeds of future wars.

Mr. ZIMMERMAN. Let me ask a question at that point. That is a rather broad, positive statement of principle. You mean to say that a nation that can produce wheat cheaper than we can produce it in this country should be permitted to ship that wheat into this country in competition with our wheat farmers?

Mr. DAVIS. Well, I was going to touch upon wheat shortly in another connection.

Mr. ZIMMERMAN. I want to ask about three questions. I ask the same question about cotton. Do you think if the people of Brazil can produce cotton cheaper than we can produce it in America that they should be permitted to send that to us in competition with our southern cotton. And likewise Argentina, if they produce corn cheaper, should they compete with the Corn Belt?

Mr. DAVIS. Do you really want me to answer it?

Mr. ZIMMERMAN. Yes.

Mr. DAVIS. My answer is yes, but. And I want to go on with the "but."

Mr. ZIMMERMAN. All right.

Mr. DAVIS. The world absorbs—I mean the world that buys wheat, cotton, and corn, will take—more wheat, cotton, and corn than those countries which you mentioned can produce to ship. There is, therefore, a demand beyond that which the lowest-cost producers can supply. There is no question of Argentina being able in ordinary times to ship corn into our Corn Belt, there is no question of Brazil being able to ship cotton into New York, and so on with wheat, because the low-cost supplies are absorbed in other countries, whereas we have a surplus of all three, which, in different measure, in different years, we ship out in competition with these exporting countries.

Now there are local situations that do justify, in my opinion, our importing some of the very products that we export. On our Pacific coast, for instance, it is highly logical, highly advantageous to our agriculture that we should import Argentine corn frequently, not every year, rather than have corn shipped from the Corn Belt across the mountains to the Pacific coast. It is in the interest of California and Washington and Oregon; and I think it has been outrageous, when on occasions our Government agencies have, in effect, sand-bagged certain import transactions of this sort.

These are the regional factors, in other words, of transportation cost, that would, on occasion, make it highly desirable that we import at some point from abroad while we export from other points.

Mr. ZIMMERMAN. Let's pursue that. Would that have a depressing effect on the price, we will say, of these American commodities, wheat, corn, and cotton, if we were to stimulate the flow of the products into our country? Would that depress our farm prices here?

Mr. DAVIS. So far as the Argentine corn to the Pacific coast is concerned, it would ordinarily mean nothing more than we would export more corn from our eastern seaboard and the Gulf than we otherwise would, and take in some from Argentina on our west coast.

If, however, and this is the point I am coming to shortly, our price policies are such as to prevent our exporting any corn to speak of, then the importation of Argentine corn is an influence tending to reduce our excessive prices of corn.

Mr. ZIMMERMAN. Then, it seems to me, we are faced with this question: If we let these things come in having a surplus at home which we have to get rid of or suffer a depression in price, farm labor, and on down the line—in other words, the purchasing power of American agriculture will be lower—how are we going to sell our surplus that is produced at a higher cost than other countries? Who is going to buy it? That is what I am interested in knowing.

Mr. DAVIS. You say produced at higher cost?

Mr. ZIMMERMAN. We have been talking about the high standards of living in this country, you know. We do pay higher wages for agriculture than other countries. I think it is generally conceded that it costs more than it does in other countries. If that is true, to whom are we going to sell this surplus we have in cotton, wheat, and corn? Who is going to buy it?

Mr. DAVIS. If we choose to set the price of cotton at 30 cents, let us say—

Mr. ZIMMERMAN (interposing). Let's not get it any higher than parity.

Mr. DAVIS. All right, 22 cents, if you like.

Mr. ZIMMERMAN. Let's put it at 19.

Mr. DAVIS. Nineteen. If we set the price at 19 cents, there will be people raising cotton who will lose money, but still produce some cotton, and there will be others who will just get by, and there will be others who are producing at 10 cents or less. Now, you say, "We can't produce it at 19 cents." That "we" is made up of a great many different people. I think there is a consensus among those who know about the situation today, that if controls over acreage of cotton were taken off, and if the restrictions on machinery were no longer enforced, we could turn out probably more than the cotton crops of the last 2 or 3 years at under 10 cents a pound.

I don't think there is a shadow of doubt that the United States can produce substantial cotton for export for the world, no matter what the wages of agricultural labor—

Mr. ZIMMERMAN (interposing). That statement is made on the theory that you believe the post-war world agriculture is going to face new inventions of machinery and new methods of production that we don't know anything about now?

Mr. DAVIS. On the contrary. They are here and demonstrated.

Mr. ZIMMERMAN. But not in practice as yet.

Mr. DAVIS. In practice; though not yet on any large scale.

Mr. ZIMMERMAN. That is what I mean.

Mr. DAVIS. Not on any large scale, for various reasons.

Mr. ZIMMERMAN. You think the things will come into practical being and operation in the post-war period? Your statement about what we can produce and export is on the theory that these new methods will be in existence and in operation; is that right?

Mr. DAVIS. That is true. But, if those were not in operation, if that prospect were not in the offing, I would still say that the United States can produce cotton more cheaply than it can be produced, quality for quality, in quantities of surplus, in any other part of the world.

Now I don't mean to say more cheaply than the poorest grade of cotton in the poorest sections of India, but that cotton is much poorer in quality.

Mr. ZIMMERMAN. I think this is a very important question we are discussing, in view of coming events.

Now we will take the great State of Kansas, from which my friend, Mr. Hope, comes. A great wheat-producing State. I have heard they have the latest, and have been employing in recent years the latest, methods of producing wheat. Yet, I think it is admitted that the price of labor and cost of farm machinery is such I don't know how they could ever produce it any cheaper than they are today. Do you, Mr. Hope?

Mr. HOPE. Well, the cost has been going down some, but I don't look for it to be produced materially below what it is today.

Mr. ZIMMERMAN. In other words, the foreign countries that produce wheat have cheaper labor, cheaper land. How are we going to compete with these fellows?

Mr. DAVIS. I haven't any doubt that if we had no restrictions on production, no stimulus, no support price——

Mr. ZIMMERMAN (interposing). We hope that will be true after the war.

Mr. DAVIS. If we didn't have any of those in ordinary peace years, western Kansas and eastern Washington, among other places, would be exporting wheat at a profit. Now I do not mean to say that they are the lowest-cost producers in the world. Argentina and parts of Australia, and probably some other places, can, on the average, produce wheat at a lower cost. But I mean that the importing world, buying at normal levels of consumption at moderate prices or what would now be considered low prices, will absorb enough wheat so that Kansas, eastern Washington, and some other parts of this country, would be having a part of that business.

Mr. ARTHUR. Mr. Davis, are you presuming in this connection that there would be a relaxation of the artificial support to wheat growers, particularly in western Europe, which would provide a greater market for total exportable wheat? Or would you say this is true without such change, and any relaxation would even more greatly emphasize——

Mr. DAVIS (interposing). The latter; that is to say, it is true even on the restricted import business that we had shortly before the war, but to the extent that we can induce western Europe to take some of this nutritional knowledge seriously, and to expand the production and consumption of milk, eggs, and vegetables, and so on, and to import more of their primary foodstuffs, such as wheat—and this is in line with British thinking for Britain for the long pull after the transition period; it is in line with the thinking of other people in western Europe—there will be a larger market if those revised policies are adopted.

If in any of the international wheat agreements we can find ways to say, "Here, we won't hold you up for a high price, we will sell you at a reasonable price, if you will start your post-war agricultural policy on these broad lines," there is a chance of having some influence on them.

Mr. HOPE. If you are going to have international agreements, doesn't that imply you are going to have these controls that you say we should not have?

Mr. DAVIS. There is a curious notion—I don't know where it started—that the only kind of international agreements worth calling

such must be restrictive. If that is the kind of agreement you mean when you say "international commodity agreement" I am opposed to them. I think they are bad for this country and bad for the world. But there are other kinds which I haven't time to go into this afternoon.

Mr. HOPE. Then you would say that the present international wheat agreement is a restrictive agreement?

Mr. DAVIS. It is what is called a draft convention and not in force. It is a highly restrictive agreement; yes.

Mr. HOPE. It is the kind you regard undesirable; is that correct?

Mr. DAVIS. Yes. We have only had in effect an interim agreement that thus far has amounted to practically nothing.

Mr. HOPE. Your idea of the proper kind of international agreement would be the kind in which the importing nations were also participants.

Mr. DAVIS. Yes; and which the emphasis was put on the utilization of surplus instead of holding it back, on the freeing of the flow, and on the avoidance of high-cost production, extremely high-cost production, in the importing nations or in an exporting nation like the United States. We have no more justification for keeping 20-cent cotton growers in operation than Germany had in keeping \$2 wheat growers in operation.

Mr. HOPE. Even in that kind of agreement you would still have to have some Government controls, wouldn't you? Wouldn't we have to assure the importing countries that there would be a supply of wheat available if they agreed that their importations would amount to certain quantities, which, I assume, would be part of any agreement?

Mr. DAVIS. I believe it entirely possible to have such a joint agreement on the part of exporting nations, but it could not be of the kind that would get a particular country in extreme difficulties when it had a drought, such as Australia has experienced in the past season. I mean the thing would be feasible jointly and wouldn't be feasible one by one for the exporting countries. Do you see?

Mr. HOPE. Yes.

Mr. ZIMMERMAN. Will you do this: Will you prepare for the record a terse, concise statement of what you regard as a nonrestrictive international agreement?

Mr. DAVIS. How much time will you give me? I am taking a train this afternoon.

Mr. ZIMMERMAN. We will give you all the time you want.

Mr. ARTHUR. That can be sent to the committee, Mr. Davis. (See exhibit 5, p. 1703.)

Mr. ZIMMERMAN. Off the record.

(Discussion held off the record.)

Mr. HOPE. I would like to ask Mr. Davis also when he has to leave here because this is very interesting and I would like to continue here for some time, but if you have to catch a train I am not going to ask some questions I might otherwise.

Mr. DAVIS. My train leaves at 5:20 and I should be away from here not later than 4:00.

Mr. HOPE. We have been talking about corn, cotton, and wheat. What would you say about beef?

Mr. DAVIS. Well, I am afraid you are going to have me asking if I might have the privilege of sending in some other supplementary statements.

Mr. ZIMMERMAN. That will be all right.

Mr. DAVIS. I am frank to say that on beef I haven't a ready answer, but I will be glad to send in a little statement on it that you might find helpful, but I can't do it all offhand.

Mr. ZIMMERMAN. You may at this point in the record send it in and it will be put in with your statement. (See also exhibit 5, p. 1703.)

Mr. DAVIS. As a matter of fact, beef and butter and a few other things are snaggy commodity problems in this connection. It seems to me that among the commodities we should import liberally are some agricultural products, including not only those that we can't produce practically, like bananas, coffee, tea and spices, and natural rubber, but also some that we can and do and will produce, but at high cost, and those include wool, sugar, linseed, and some other vegetable oil seeds and nuts. We should import the latter products more liberally, with less obstruction to imports, than heretofore. Our tariffs and other import restrictions on these products should be revised downward rather than upward.

Mr. HOPE. You wouldn't remove them entirely, would you? On fats and oils, tropical oils, what would you say on that?

Mr. DAVIS. The transitional policy of converting from where we are, at the height of war controls, to a normal peacetime period, I am not trying to discuss, and I am not prepared to say that even in peacetime we should eliminate completely the tariff on wool and on vegetable oilseeds.

But I am convinced that the drift of our present policy is toward reducing the purchasing power of other countries for products that we can advantageously produce. In some respects it is toward reducing the consumption of agricultural products. We are seeing in the case of synthetic fibers the invasion of the market for agricultural products by industrial products, and the higher the price of wool and cotton, and the longer the prices of wool and cotton are kept out of line, the greater is the entrenchment of and expansion of the competitive fibers that are cutting the ground from under wool and cotton.

Now there is room for substantial expansion in the consumption of all textile fibers. Our policies of holding up prices of cotton and wool have speeded the expansion of synthetics, have rendered difficult the recapture of part of that market by the natural fibers, and are endangering the sale of the output of products of the present sheep flocks.

The United States is a relatively small consumer of wool among the advanced nations of the world. And while the price of wool is in no sense the principal factor in the price of clothing it is an important factor in the competition of fibers for inclusion in clothing, and we are tending to restrict its use by this method. And in the case of wool, as in the case of cotton, we will certainly be producing some wool even if we have no tariff on it. It would find its place. The relation between wool and lambs and so on would determine the point at which it would be maintained. But disregarding any possible substitute for a support price in connection with the readjustment to a lower tariff basis, we shall not see our wool industry wiped out, no matter what we do. We shall find it at a different level in our agriculture, whether the protection is extremely high or negligible or somewhere in between.

Mr. ZIMMERMAN. Of course, I can understand with wool because we are an importer of wool. We don't produce enough for our home

consumption. We have always been an importer of wool. Isn't that right?

Mr. DAVIS. Yes.

Mr. ZIMMERMAN. But, you take cotton, that is the opposite. We must be an exporter of cotton if the cotton section of the country is to prosper. You speak of fats and oils. We have recently witnessed a great development of the soybean in our country, a new crop, one of the greatest oil-producing plants in the world, likewise peanut oil. After this war we are going to have people who want to grow soybeans and peanuts to produce oil to supplement the cottonseed oil we have been making for a long time, and other oils. So, when crops of oils come in here what chances are these farmers going to have to sell soybeans for crushing purposes?

Mr. DAVIS. Soybeans and peanuts for oil have their place in our economy. Just what place it is going to be is going to depend on many things, including the tariffs on foreign vegetable oils. But the question is: Can we really put our agriculture on a satisfactory self-sustaining basis if we prop this, that, and the other industry, at a level which is vulnerable to economic forces and to changes in the political wind?

Mr. HOPE. What effect do you think it would have on the volume of agricultural production if we should adopt substantially the program that you have suggested?

Mr. DAVIS. I think it is highly probable if this were part of a policy we were pursuing, and, so to speak, leading the world in—not just adopting it as a temporary experiment of our own, but as one in which we are going to take the lead—I feel reasonably confident that our leadership would insure the enlarged consumption and the enlarged markets that would warrant a higher production by considerable margin than we can otherwise dispose of under restrictive policies.

Mr. HOPE. What effect would it have on agricultural income over a period of years?

Mr. DAVIS. As I see it, we have to face a contraction of agricultural income, whatever policy is adopted. We cannot maintain that income at wartime levels.

Mr. ZIMMERMAN. I would like to interrupt you right there. The purchasing power of the American farmer is a pretty good index as to the condition of industry in our country. In other words, when the farmer is prosperous, has a high income, he is the greatest purchaser of other materials that are manufactured in our country of any group in the country. Now if you cut this income down, what is the effect going to be? Are you going to cut down the tariffs of manufactured articles to let them come down?

Mr. DAVIS. I am sorry I didn't emphasize that. It seems to me imperative in our interest that we should find out what products other countries can send us that we can consume to advantage, and encourage their importation as a means of building up the purchasing power of other nations.

Mr. ZIMMERMAN. Apply to industry as well as to agriculture?

Mr. DAVIS. Yes.

Mr. ZIMMERMAN. If a farmer has to sell his product on a market that is fixed—we will say cotton and wheat are fixed at Liverpool.

Mr. DAVIS. It used to be, but it is not true now, and has not been for a long time.

Mr. ZIMMERMAN. Wherever it is. The export price almost controls the domestic price, doesn't it?

Mr. DAVIS. As I say, it used to be so.

Mr. ZIMMERMAN. Won't it always have to be that, more or less?

Mr. DAVIS. The world market has disintegrated in the last 10 years, even before the war.

Mr. HOPE. If we get back into a system of unrestricted world trade, wouldn't you again have world markets and wouldn't the price be fixed, the world price, at some particular point, like Liverpool?

Mr. DAVIS. In the sense that that is a focal point where the forces of supply and demand meet.

Mr. HOPE. World prices have disintegrated in the last few years because we have had all these restrictions and wars. If we removed them, there would be a world price which, in an exporting country, would be very largely the domestic price.

Mr. DAVIS. I want to warn against a misinterpretation there. It used to be said, as the chairman indicated, that the price of wheat was fixed in Liverpool.

Mr. ZIMMERMAN. We used to say that about our wheat and cotton.

Mr. DAVIS. Our own institute made a study of the price relationships in Chicago, Winnipeg, and Liverpool in connection with wheat. This brought out quite clearly that so far as leadership in price change is concerned, all three at different times took the leadership. There is no unique sense in which it can be said that Liverpool fixed the price. That is where the barometer hung that was most nearly reliable, but it was a barometer of the world situation rather than dependent upon the action of people in Liverpool.

Mr. ZIMMERMAN. That is right.

This committee has had before it a great many economists and businessmen, and they all say that at the end of this war and the beginning of the post-war era we are going to face a public debt of something like \$300,000,000,000 approximately. They say that in order to pay the interest on the national debt, to liquidate that national debt and carry on the cost of government we have to maintain a high national income with substantially full employment of labor, full production of agriculture and a full production of industry. It is a thing that we have just got to face.

Now, if the income of our cotton farmers is reduced from 19 cents a pound to 10 cents a pound and wheat farmers goes down, and cattle and hog producers fell to a lower level, do you think there is any danger of getting our national income down to a point where it might work very disastrously to the economy of our country?

Mr. DAVIS. I think it is important that such reductions in income be compensated by increases in income in other directions.

So far as employment is concerned, I would like to see a lot of the boys and a lot of the women who prefer to be at home displaced by returned veterans. I mean there is a lot of need for displacement and replacement and rearrangement.

Mr. ZIMMERMAN. We are talking about a time when the boys, we hope, will all be home and that readjustment will have taken place, and the people are back at their own normal way of doing things. It seems to me your argument drives us to this conclusion. If I am incorrect, I want to know it. I am just trying to get some light. It seems to me that your argument brings us to the conclusion that

this unrestricted foreign trade must result in an expansion of agriculture and other business to the point where we will have a national income sufficient to meet the needs of this Nation which we know we are going to have to face. Is that your philosophy?

Mr. DAVIS. Oh, yes. I don't differ with you there.

Mr. ZIMMERMAN. Your philosophy is, and your view is, that if we remove the trade barriers and these restrictions that in the long pull, the long-range program which we are talking about, and working toward, in this increase in world trade we will get enough of that trade to hold and maintain our national income to a point where we can meet these requirements.

Mr. DAVIS. Yes.

Mr. ARTHUR. Mr. Zimmerman, may I ask a couple of questions?

Mr. ZIMMERMAN. Yes.

Mr. ARTHUR. It is your conviction, Mr. Davis, that while we will have a decline in agricultural income, totally, we need not have a decline in the per capita income of farmers to the extent, the same extent possibly, if we rearrange our agriculture to produce more efficiently?

Mr. DAVIS. Well, it is very difficult to answer such questions briefly. I do feel that the per capita incomes in agriculture in the last year or two have been all out of proportion to what the farmers themselves would have regarded 5 years ago as reasonably to be hoped for, and far beyond what those same farmers would now say they have any chance of keeping after the war.

Now, Dr. Schultz brought out that the farm population has shrunk from 20 percent of the working population to 15 percent during the war. Isn't that right?

Mr. ZIMMERMAN. 32 to 15, I believe it was.

Mr. HOPE. From 20 to 15 since 1940.

Mr. ZIMMERMAN. That is right.

Mr. DAVIS. At the same time the net income of the farm operator has doubled and on the average from 1935 to 1939, as I think you realize, the figures of the Department of Agriculture show that farm income, net farm income, was at the income parity levels that had been set in the Agricultural Adjustment Act of 1938 and in the last year or two, 1943 and 1944, farm income in relation to the income parity standard has been 40 to 50 percent above parity.

Mr. ZIMMERMAN. Let's get that straightened out. Wasn't he talking about farms?

Mr. DAVIS. No, not farms. I think people on farms is what he meant.

Mr. ARTHUR. I believe it was the proportion of our total labor force that was farmers.

Mr. DAVIS. In other words, in my opinion, we shall have, whatever we do, unless there is a rampant inflation of the price level, a reduction in agricultural income that the farmers expect, can stand, and know is essential.

Mr. ZIMMERMAN. Here is the statement: "Half of the United States farms in 1939 produced (for sale and household use) \$625 or less."

Mr. HOPE. I think he got that figure from the census, and it would pretty nearly have to be farms.

Mr. DAVIS. There are Department of Agriculture estimates on this point that I thought he was drawing upon for his 20 and 15 percent.

Mr. HOPE. I think Mr. Voorhis asked him that particular question, whether it was farmers or farms, and it is my recollection he replied that it was farms.

Mr. ZIMMERMAN. I believe that is correct.

Mr. DAVIS. This \$625 figure, you are quite right about that, that is farms.

Mr. HOPE. I thought that was what you were talking about.

Mr. DAVIS. No; this is another matter.

Mr. HOPE. I thought it was the figure you were talking about.

Mr. ARTHUR. May I ask one further question?

Mr. ZIMMERMAN. Yes.

Mr. ARTHUR. Your conclusion also carries this implication, that with the greater freeing of trade we would employ our agricultural resources as fully as, or more fully, than we have in the present war period; we would not, in other words, have to allow our lands to go idle; we might have to use it more efficiently, but the land itself, which may now be marginal, might come even above the margin as a result of better technology and, better utilization. I saw that from your statement when you say there is a sufficient demand in the world for the utilization of all the agricultural resources that we have.

Mr. DAVIS. I am not sure I used the words "sufficient demand." There is need and opportunity, and the sort of policies I am urging can translate the need and opportunity into demand. The demand isn't there with such restrictive measures, with such tight controls, as we have tended to have.

Mr. ZIMMERMAN. You heard Dr. Schultz, I am sure, yesterday afternoon?

Mr. DAVIS. Yes.

Mr. ZIMMERMAN. You agree with his conclusion that in the post-war period, with the mechanized farming that is going to take place, a large segment of our people in certain sections is going to be dislodged; we are going to have a great social shift from one section to another, got to bring in new industries in certain sections. Do you agree with that theory?

Mr. DAVIS. I agree with that as I understand it. I wouldn't phrase it just as you did. That is, it seems to me there is no hope of improving the plane of living of this agriculturally overpopulated belt by agricultural policies. We must create a suction, so to speak, that will pull them into opportunities for making a better living and, in addition, permit those who remain to carry on agriculture better than they can now.

Mr. ZIMMERMAN. He used this illustration, as you recall. Down in one of the Southern States an 80-acre farm is an economic failure and the farm of the future will be the combination of a sufficient number of these 80-acre units, or smaller units, to make a family-sized sustaining farm. That, of course, means the people who were formerly dependent upon these smaller units are going to have to do something else if they are going to be successful as farmers.

Now, if that is a picture of the agriculture of the future, we have some serious problems in some sections, and particularly in the South where we depend upon cotton for a livelihood.

Mr. DAVIS. That is true.

Mr. HOPE. I would like to ask a question, Mr. Chairman, if I may.

Mr. ZIMMERMAN. Yes.

Mr. HOPE. The program you have outlined here would mean getting back to simply a competitive basis, so far as agriculture is concerned, as contrasted with an artificial basis, which is really predicated on an attempt to get away from the competition that we have had in the last few years.

Now, of course agriculture hasn't been the only industry that has been trying to get away from competition. We have seen that same tendency perhaps used to a greater extent in business and in labor and they have been more successful I believe, in getting away from it than agriculture has been.

Now, do you think that agriculture can't operate as you have suggested on purely competitive basis unless we have the same competition in every field clear across the board?

Mr. DAVIS. There is necessarily a struggle to maintain competition. It doesn't maintain itself in the modern world. But I would turn the statement the other way around. If agriculture says, "We have got to be under the thumb of the State, wards of the State, dippers into the Public Treasury, because otherwise we can't stand while there is combination in labor and combination in business," then they have given up the fight, and God help America.

I am quite sure that agriculture is needed in support of the maintenance of free and fair competition in business and in labor, and that the rest of us can't afford to have agriculture lying down on that job.

Mr. HOPE. That is a pretty heavy load on agriculture.

Mr. DAVIS. You have supporters in some groups that do not belong to any one of these three.

Mr. HOPE. That is true, but after all agriculture comprises less than a fourth of your population.

Mr. DAVIS. Organized labor also comprises less than a fourth, I think you will find.

Mr. HOPE. That is true, but organized labor has now reached a position in this country from which they are not going to retreat if they can help it, very naturally, where they have to a very large extent, eliminated competition in labor. Maybe the story will be different after the war when you have unemployment. Organized labor came through the depression without suffering any marked reduction in wages. They had unemployment. They did keep up the wage standards because they were so organized and had the protection of laws to an extent that they could still eliminate competition.

Now, are we going to expect agriculture to operate on a competitive basis, much as it may be desirable from a national standpoint, as long as you have other segments of the population whose activities directly affect agriculture operating in just the opposite way? Labor, of course, is only one element which has succeeded to some extent in eliminating competition. You have got many business enterprises where the same situation exists.

Aren't we getting the cart before the horse here when you say agriculture has to take the lead in the thing?

Mr. DAVIS. I don't know that I said that. I said if agriculture gives up this fight for what is essential—freedom of individual enterprise, cooperation but not coercion, not compulsory cooperation, so to speak—if agriculture gives up that fight it will tremendously stimulate the restrictive types of combination in business and labor.

I think farmers tend to lose by adopting such a defeatist attitude and getting on the wrong bandwagon.

Mr. HOPE. I think they are certainly at disadvantage when it comes to trying to set up a system of restrictive competition as compared with other elements in the population. Labor can certainly set up a system that will work a lot better than anything farmers can do along that line, and certainly business has been more successful than farmers have been or can be, in my judgment.

But, nevertheless, I hardly see how you can expect farmers to eventually stay with the competitive system if other elements of the population have been able to work out some plan where they have already, to some extent, eliminated competition.

Mr. DAVIS. I don't believe that is predominantly true in the business world.

Mr. ZIMMERMAN. Pardon me right at that point. For example, the automobile industry decides how many automobiles they are going to sell in this country and likewise abroad. They get together and figure it out. They go so far as to say that this automobile will sell for this price.

Agriculture can never be in position to do anything like that.

Mr. DAVIS. I am glad you brought that up, Mr. Chairman, because it leads me to say something about automobiles.

Mr. ZIMMERMAN. I used that as an example.

Mr. DAVIS. My first automobile I bought in 1921, and I have had three cars that lasted 7 years each and now I am on the fourth. I didn't pay as much for the second as I did for the first, and I didn't pay as much for the third as I did the second. I didn't pay as much for the fourth as I did the third, and each time I got a far better car. Where in agriculture can I find an equivalent? There have been reductions in the cost of growing wheat through the application of new technology, but the parity price formerly set has been changed upward.

Mr. ZIMMERMAN. What does parity mean?

Mr. DAVIS. If competition means anything it means that the units producing products are in such relation with each other that they tend to improve their products and lower their price over a period of time or reduce its cost and thereby its price.

Now the automobile companies have been relatively few in number, and as of any particular year they may have their understandings about price, but over the period of 24 or 25 years that I have known of them they have certainly done a remarkable job of competing and giving the consumer the benefit of the competition.

I don't think the automobile industry is at all a great example of the failure of competition, but rather of its success.

Mr. ZIMMERMAN. Now, the trouble is this: Of course, the farmer for many years went along selling his products for less than the cost of production. In other words, he was going in debt and going broke. He went through the depression. He had to take it in stride. When you talk about parity, parity prices mean fair prices in relation to what the farmer has to buy and what he has to pay for labor and placing the price of agricultural commodities on equal footing with what a man gets for his services and for his manufactured products.

Mr. DAVIS. That was the intent, but that is not the effect.

Mr. ZIMMERMAN. That is a question I would have to argue with you about.

Mr. DAVIS. I wish we had the time.

Mr. ZIMMERMAN. I would like to argue it.

The point is that we have been proceeding on the theory in this country for many years that the farmer should take less than anybody else for his products; he has been the underdog and they have wanted him to get up on an equal footing with industry and labor. But the very minute he gets up there they begin to complain about high prices.

In other words, if a man has to go out and buy a pair of shoes he has got to go out and sell a bushel of wheat.

Mr. ARTHUR. May I interject one question right there?

Mr. ZIMMERMAN. Yes.

Mr. ARTHUR. I think I can state very briefly one of the things that Mr. Davis has in mind. If the farmer instead of having 1 bushel of wheat now has 2 bushels of wheat and exchanges it for a pair of shoes that wear half again as long, the parity price per unit of those things doesn't tell the whole story.

Mr. ZIMMERMAN. I am going to agree with you on that. If the cost of production comes down so that that bushel of wheat will buy in the same relationship, that is all right. That is the thing we have got to keep in mind.

Mr. DAVIS. I wish I could go into that parity matter, for it is one of the basic things, but I haven't succeeded in finishing what I started to say.

Mr. ZIMMERMAN. I will let you go ahead and finish your statement.

Mr. DAVIS. Well, I think I have said enough to bring out that we should and can earn our share in the world export trade by American efficiency, quality, and fair competition with other nations, not by bargaining, nor by export subsidies at public expense, nor by domination with our overwhelming economic power. If other countries undertook to export to us by that means we should be quick to resent them as hold-ups and as dictation, and I think we can and should set an example of another sort.

I think it is highly probable that on the basis of fair competition we can export a good deal more of certain agricultural products, notably cotton and wheat, as part of a world system of freer trade, than we can possibly export under a controlled system with export subsidies and international agreements. The normalization of American agriculture after the war depends on our changing policies in that direction.

The biggest barriers to the export of our farm products are not foreign tariffs. They are not import quotas, in the past or in prospect. They are price-raising measures in the United States which stop exports before they can start. If we wish to say we will limit our exports by raising the prices here, and we will limit our exports because our farmers have to do something, even if they can't do it as well as other countries can, that is one kind of policy. It will bring one kind of agriculture, which I don't think is the kind of agriculture that is on a sound, satisfactory, self-sustaining basis.

Our price-support policies have been and are seriously cutting down the market for our farm products, at home and abroad, at home particularly for cotton and wool, and tending to interfere with their normal consumption at home.

The most important changes needed in agriculture's policies here and abroad include the abandonment of price supports and production controls, allowing prices to play their normal part in influencing both

consumption and production. That change can be made by degrees. As Justice Byrnes suggested in his recent report, it can be accompanied by measures to temper any damage to farmers, many of whom have already acquired a cushion of savings against the change.

The methods of providing payments and other cushions necessary to accompany the reconversion is a technical matter that I am sure could be worked out if a commitment were made to work toward a policy of letting prices alone. I am sure that the transition would require some such attention. I believe that the commitment already made to support prices at 90 percent of parity, for 2 years after the proclamation of the end of hostilities, is a commitment that should be altered, but that alteration, in justice, requires some supplement and not a mere withdrawal of the commitment.

I am sure you will not misunderstand me there. Working toward allowing prices to operate is one of the important changes that must be made if we are to have normal internal markets and normal international trade.

Now, I believe, further, that farmers basically would endorse this doctrine. It is my impression that farmers prize their freedom and independence. They instinctively object to regimentation and controls. They don't like being wards of the Government. They don't like being beneficiaries of one kind of hand-out or another. I don't think they like to be told what not to produce. They like to produce and they feel that it is wrong to be paid for not producing or for doing what they otherwise would do. They realize that many wartime prices are excessive and must fall, and that they cannot expect in peacetime a continuation of war-expanded income. They are content, and will be content, with a lower level than this exceptional war period has given them.

They mistrust subsidies. They shudder at the growth of the public debt in peace and in war, which has been due, in part, to the numerous subsidies that have been handed out. They suspect favors to any class—business, labor, or farmers.

In my judgment our own farmers will welcome a substantial change in agricultural policies and programs in the general interest of our Nation that will put American agriculture on a self-sustaining basis instead of in an artificially propped-up situation, vulnerable to changes in politics and business.

They want to earn their way. They want help and certain kinds of guidance, but they don't want to be put in this peculiarly artificial position.

That is all, Mr. Chairman, that I have to say.

Mr. MURDOCK. May I ask the doctor a few questions?

Mr. DAVIS. I have to catch a train at 5:20.

Mr. CHAIRMAN. If they are short, go ahead.

Mr. MURDOCK. You must leave at what time, Doctor?

Mr. DAVIS. I have to get back to the Cosmos Club and get my bag and catch the 5:20 train.

Mr. MURDOCK. Do you believe that American agriculture can produce in peacetime more than our consumer demand of food and fiber, so that there is apt to be an accumulation of surplus which has formerly harassed the farmers?

Mr. DAVIS. Yes.

Mr. MURDOCK. The American farmer is an individualist and he possesses all the qualities that you pictured there a moment ago but

it is pretty hard for him to cooperate. There are about 6,000,000 of them and they go ahead and produce under a system of enterprise as best they can.

Now, aren't they apt to be the victims of monopoly some place along the line, since they cannot control their own production?

Mr. DAVIS. There is always a danger, but the proved instances have been of insignificant consequence, in my opinion.

Mr. MURDOCK. What I am looking for is something that will take care of the surplus which I am sure is bound to come as soon as a hungry world has been satisfied shortly after the coming of peace.

Mr. DAVIS. There is no possibility, in my opinion, of thoroughly satisfying the hunger of a hungry world. There is a possibility of not meeting the most urgent need within a year or two, but beyond that the possibilities of expansion without satiation are large and not small. But they require this interchange of goods and services, and it will not occur through Santa Claus operations or anything of that sort.

Mr. MURDOCK. Thank you very kindly. I don't want to detain you.

Mr. ZIMMERMAN. I want to express the appreciation of the committee for your coming here and giving us this very informative and interesting talk.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. ZIMMERMAN. The hearing will be adjourned.

(Whereupon, at 4:05 p. m., the hearing was adjourned.)

POST-WAR ECONOMIC POLICY AND PLANNING

THURSDAY, MAY 24, 1945

HOUSE OF REPRESENTATIVES,
AGRICULTURAL SUBCOMMITTEE OF THE SPECIAL
COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10:30 a. m., in room 326, Old House Office Building, Hon. Orville Zimmerman (chairman) presiding.

Present: Representatives Zimmerman (chairman), Simpson, and Hope.

Also present: M. B. Folsom, staff director; Dr. Theodore W. Schultz, consultant.

Mr. ZIMMERMAN. The committee will please come to order.

Mr. Murdock will try to be here later, and Mr. Voorhis is out of the city.

We have with us this morning Dr. Edwin G. Nourse, vice president of the Brookings Institution.

Dr. Nourse, will you please state your name, your residence, and your background?

STATEMENT OF EDWIN G. NOURSE, VICE PRESIDENT, THE BROOKINGS INSTITUTION

Mr. NOURSE. My name is Edwin G. Nourse, and I have been here in Washington for the past 25 years in connection with the Brookings Institution, and before that I had been a teacher of agricultural economics in a number of midwestern institutions, such as the University of South Dakota, the University of Arkansas, Iowa State College, where I was head of the department, before I came here in 1922.

Mr. ZIMMERMAN. Do you have a prepared statement that you would like to make?

Mr. NOURSE. Yes; I have a drafted statement here, because there is a general point of view which I want to put forth and I thought I could perhaps do it better and lay a better foundation for comment and discussion with this background.

Mr. ZIMMERMAN. You would then prefer to make your statement and then submit yourself to the questions of the committee?

Mr. NOURSE. If that is agreeable, sir.

Mr. ZIMMERMAN. It will be agreeable, I think.

Mr. HOPE. Yes.

Mr. SIMPSON. Yes.

Mr. ZIMMERMAN. Then you may proceed.

Mr. NOURSE. I want to say that I was very glad to accept Mr. Arthur's suggestion that I appear here before the committee. I attach great importance to the work that this committee, of which you are a subcommittee, is undertaking in the exploration of post-war economic planning and policy.

As I see it, what you are really considering is how, in the period after the war, we can most fruitfully take up again the perennial problem of how citizens and their Government can adjust the working parts of our national economic machine so as to attain the highest level of steadily operating efficiency.

Obviously, in any such national economy, the agricultural industry is an important, indeed indispensable, part. However, it does not stand alone, and no solution of its problems can be worked out separately and then written into a general economic program.

I think there is danger in a type of economic thinking which has been manifest in the United States during the last 20 years or so. This starts from the premise that agriculture is our basic industry, and thereupon argues that public and private agencies must first find ways of making it prosperous, since only then can the rest of the economy prosper.

In contrast to this view—which has been called agricultural fundamentalism—I suggest that there is no way of really providing for the success of post-war American agriculture except as an interdependent part of an integrated industrialized economy.

Insofar as prior importance is to be given to any part of this interrelated system, it would be more true or more helpful to say that we must look to the assuring of industrial progress to provide general business conditions within which agriculture can prosper than to say that agricultural success and well-being constitute a cause or a necessary antecedent to general prosperity and economic stability in the industrial age in which we live.

I suspect that the primary reason that moved Mr. Arthur to invite me to appear at this juncture in the deliberations of your committee was that he thought of me not merely as an agricultural economist, but as something more than a mere trade-union agricultural economist.

It is true that I was one of the pioneers who helped to develop agricultural economics as a recognized professional discipline. I did not, however, approach the field from the side of production economics, which was the child of farm management, which in turn was the child of agronomy.

Instead, I approached it from the side of agricultural marketing and cooperative organization, with my emphasis primarily on prices of farm products. This approach inevitably entailed analysis of the whole price-making process, with as much emphasis on the factors that strengthen or impair the demand for farm products as it did on the questions of technique, organization, and cost that condition the supply side of the farm-price equation.

Following this price problem even after it jumped over the farmer's fence, I became involved in broad studies of America's capacity to produce and to consume, the relation of income and its distribution to the maintenance of economic progress, and finally to the broad principles of price making in a democracy.

Mr. Arthur suggested to me that your committee might be interested in a streamlined statement of the price philosophy to which these studies have led me and of its application to the problem of what agriculture can do for itself after the war and what Government should prepare to do for it as part of our postwar economic policy and planning.

I have had the temerity to put my analysis and conclusions under the label "low price policy." This is perhaps giving the dogma a bad name. It is so easy for businessmen and farmers and workers to assume that, of course, high prices and high wages are the natural accompaniments, indeed the cause of prosperity.

In fact, however, high prices reflect conditions of scarcity, of inefficiency, and of high cost, whereas we live in an age of technological progress, popular education toward efficiency, and potential abundance. Trying to link full realization of these high productive powers with rising or maintained prices is a contradiction in terms.

The bare bones of the low-price argument may be stated very briefly and in terms of the familiar elements that have been taken as making up "the American way of life"—freedom of individual enterprise, profit-seeking capitalism, and active but orderly competition.

Now, if workers are free to apply their industry and their ingenuity whenever and wherever they see the best opportunity to enlarge their returns, and if everyone is free to save and invest his capital wherever he thinks it will lower cost or enlarge product, and where each worker and capitalist is in honorable competition with his fellows, we have set the conditions for maximum technological progress or productive efficiency. This means an ever-increasing volume of product and a proportionate rise in real incomes; that is, ever more goods and services enjoyed by consumers as a whole.

There is no inherent reason why this situation of rising productivity should mean higher cash incomes either in the form of higher rates of profit or higher rates of wages. Naturally, there would be a greater aggregate of wages, salaries, rents, interest, and profits because resources—labor and property—would be fully employed. But as for the individual, if he had the same cash income at lower prices, this is just as real a gain as a larger income with which to buy more goods at the same or higher prices.

Gain in real income through lower prices we have had in some measure ever since the dawn of the industrial revolution. Barring some clouding of the record because of the techniques of our money system, the last 200 years of relatively free business enterprise and marked technological progress have resulted in great increase in the volume of goods and services, substantial fall in prices, and increase of real income to a great part of our population, though in very unequal degree.

In this sense, a majority of businessmen, probably, give lip service to the principle of low-price policy. They point with pride—rather too much pride—to the record of price reductions, quality improvement, and increase in per capita volume of consumers' goods. But this is a sort of "kiss of death."

To say that they have already been following a low-price policy implies that what they have been doing has been enough, that no change in practice is needed. The vital issue now is whether they, in fact, accept or are willing in the post-war period to accept with full

understanding and without equivocation the principle of price reduction, not merely in lagging response to technological progress but as a means of bringing it about in connection with full use of resources.

Businessmen are much disposed to say: "Certainly, we lower prices as far as we can with improvements in productive efficiency." This, of course, simply shifts the question to interpretation of the phrase "as far as we can" and involves an infinite controversy of fact and interpretation, of accounting practice, investment policy, distribution of techniques, and velocities of money flows which cannot even be touched on here.

The simple underlying point, however, is that whenever our economy shows substantial amounts of hoarded funds, low utilization of plant capacity; and great numbers of unemployed, this is *prima facie* evidence that prices somewhere in the system are being held so high as to choke off transactions and thus the use of our productive resources. Either the producer, the worker, or the capitalist is "pricing himself out of a market." He has become convinced that by maintaining prices at the expense of volume, he can advantage himself or his particular group.

This is probably in most cases true in the short run, and in a few cases may be true even in the long run. But the individual or group gain is always secured at the expense of others, and in most cases such profiting at the expense of others eventually comes back as a loss on the individual or group that employed this method.

Here there is one broad principle of economic life which needs to be borne in mind; namely, that if everybody "lets himself go," in terms of productive effort and lets the volume of product that results find its own equilibrium price in the market, these prices cannot possibly fall too low since they strike the basic equilibrium level at which all product is taken from the market.

There will, of course, still remain the ever-present problem of withdrawing effort from the least remunerative point and redirecting it toward one where demand is relatively more keen. But this constant readjustment is the essential and distinctive function of the businessman. Production restriction, on the other hand, is a perverted activity of management.

And yet it is precisely these restrictive activities that have remained a persistent factor of business policy and the basic pattern of a major part of our so-called economic legislation. Whenever there was a maladjustment in price relations, there has been an increasing tendency to run to Government to get a short-cut remedy in the nature of special support to the disadvantaged group, either through an institutional change or an outright subsidy.

We seem to have become increasingly unwilling to follow our own professed belief in private enterprise and free bargaining to effect the fundamentally sound adjustments in price relations which would bring about a self-sustaining adjustment of the system.

The restrictive tendency was exemplified first by organizers from the capitalist side, who got legislation enacted which enabled them to build up gigantic trusts, corporations, and holding companies and to define property rights in intangible as well as tangible property in such ways that they could control substantial blocks of small savers, of workers, and of consumers to the short-run advantage of a privileged class limited in numbers.

Following in their tracks, unions sought likewise to build up strong private governments within the labor field, and, instead of waiting to win new members and solidify consent among the governed, sought special legislation which would give them a short-cut toward economic power of the class or, more particularly, of special groups within that class.

Finally, and following in the footsteps of both labor and capital, agriculture has recently sought in a similar way to jump over the intervening steps of voluntary organizational growth and has invoked Government support for special measures designed to assure them a more favorable place in the general scheme of market relationships.

In all this I see a definite and dangerous departure from the sound American tradition that economic relationships should be worked out by free bargaining in an open market. We have substituted the principle of power devices sanctioned by Government in response to the competing and logrolling pressures of interest groups.

It seems to me fatal to the success of economic adjustment to remove the settlement of economic issues from the atmosphere and procedures of market bargaining—much of it collective bargaining—to the medium and the devices of political determination.

Not even the power of an omnipotent state can make every contestant in the race win over every other racer. And since most of the devices by which each group seeks to get a differential advantage involve restraints upon production, the ultimate effect is one of net general loss. Elsewhere I have described this procedure as a "donkey race"; and it is obvious that no new records of speed, strength, or endurance have ever been hung up in a donkey race.

I was working actively with farmers during the years in which the present pattern of federally supported agrarianism was worked out. I well recall the coming of slogans such as "Give the farmer a fair share of the national income," "Tariff protection on what we sell as well as what we buy," "Fix the price of our product as other people do," and, finally, the "parity" formula and various devices for upping it.

I well recall the way in which organized agriculture turned from the slow but scientific methods of economic adjustment which had grown up under our agricultural college, experiment station, and extension system and took the page of militant unionism from labor's book and monopolistic pricing from the book of corporate management, with lobbying and logrolling as the techniques for getting Federal support for these programs.

I would be the last one to say that the farmer has had no grievances or that he has derived no relief from some of the measures that have resulted from this line of attack. It would be an impossible research task to evaluate just what the short-run and direct gains have been and what are the longrun conceivable repercussions and the price that he has paid in the form of concessions granted to the other interest groups.

Agrarians themselves admit that they have been egregiously out-traded at many junctures in the legislative battle, and more thoughtful members realize that they can't win by participating in a scheme of competitive restraint of trade or by all-around inflationary tinkering.

As a practical matter, I am disposed to suggest that farmers now have enough special legislation and political influence in their hands

so that they could well afford—with this as trading stock—to start a constructive campaign designed to do away with the most restrictive types of special privilege enjoyed by other groups.

They could well afford to exchange the slight and local gains they make from protective tariffs for the more general and enduring gains they would get from the moderation of industrial protection.

They could well afford to cease making a mockery of the parity idea by making it a synonym for any sort of price-pegging, and start a forthright attack on various price-maintenance laws and industrial subsidies by which they are burdened.

I recall some years ago talking somewhat along this line to a Farmers' Week audience and Radio Town Meeting at the University of Ohio. As we left the platform, Mordecai Ezekiel, who had been the other speaker, turned to me and said, "I hadn't realized how much of an advocate of *laissez faire* you are."

I protested then and want to protest most strongly now that what I am talking is not *laissez faire* at all but simply a common-sense recognition that piling up mutually offsetting privileges and restraints makes Government a burdensome complication of economic life rather than a facilitator or stimulus of economic activity. I am for the latter kind of Government aid.

Within my time Government has developed or expanded four distinctive types of service to farmers or to the agricultural industry and thus has enlarged the productive capacity or enhanced the efficiency of this major sector and thus our economy as a whole.

The first of these areas of sound Government action has been within the field of farm management and market organization. Here the approach is that of research, popular education, and a voluntary advisory relationship. These developments have recognized the naturally small-scale character of agricultural industry and have brought the advantages of well-organized research on both technical and commercial problems within the farmer's reach, without subjecting him to direction or control.

It has embraced a large number of positive actions by Government to give agricultural producers a free, open, and honest market with Government-defined grades, standard containers, official inspection, equitable market practices, and prompt and authoritative market news.

This work has already been so fully and so ably developed that it would not seem to present any spectacular possibilities of great expansion by the Federal Government after the war. But it should certainly be perfected as to its details, adequately supported and expanded in some neglected areas, and kept to the highest standard of efficiency.

The second field of development is that in the field of cooperative organization. While the Government has done much toward raising the efficiency of the operation on the individual farm and removing abuses from the market in which the individual farmer sells, it is also important to make available a form of business association outside his own gate through which groups of individual farmers may integrate the performance of certain functions which call for a larger unit of operation.

The growth of selling and purchasing operations by farmer groups in recent years has put these organizations in the class of "big busi-

ness," has developed distinctive efficiencies in the interest of both consumer and producer, and served as a yardstick for measuring and improving the performance of commercial agencies. To a small extent, it has facilitated various production operations, such as livestock breeding and orchard operation.

Here again there is no prospect of spectacular change after the war, but several controversial problems in the operation of cooperative associations and the relationship of Government to them need to be given attention.

The third general area of useful expansion in Government service to agriculture dates from 1913 and covers the several branches of financial service now embraced in the Farm Credit Administration.

These have removed disabilities from which the agricultural industry suffered in the financing of its operations. They have raised the standard of credit service and farm operation and have complemented rather than restricted the operations of private credit agencies.

Here, too, it would seem that the completion and perfecting of this work in rural financing is to be expected rather than any spectacular change or expansion of Government activity. Possibly some expansion of Government insurance in agriculture may prove both feasible and desirable.

Mr. ZIMMERMAN. What was that?

Mr. NOURSE. I said, "Possibly some enlargement of Government insurance in the field of agriculture may prove both feasible and desirable." From the experimental work that has been done, there are areas in which expansion has been suggested.

Now, the fourth field of governmental activity which seems to me to have justified itself and to call for permanent inclusion within the functions of Government in its relation to the agricultural industry is that of surplus disposal. This was primarily a development of the last 12 years, experimented with and put through the demonstration stage under the Agricultural Adjustment Administration. The biologic character of the agricultural industry exposes it to unpredictable and drastic changes in the rate of production, outside the abilities of the most capable farmers to control. Since many of these products are perishable and cater to markets of relatively inelastic demand, leaving the situation to the play of ordinary market forces entails both flagrant waste of valuable and often costly products and such demoralization of market prices as results in income losses which are disproportionate to the financial resources of the vast majority of producers of these products.

This situation seems to impose a coordination and stabilization function upon the Government at the same time that it presents an opportunity not merely of salvaging waste product but of utilizing it to the improvement of the physical welfare of the economically weaker part of the population.

The newer knowledge of nutrition and wider social realization of the importance of maintaining minimum standards of health gives added importance to thus administering seasonal surpluses of horticultural and livestock products. These are the ones most subject to unpredictable fluctuations in supply.

It seems reasonable to think that the Federal Government can combine practical ways of diverting undue price-depressing surpluses

of specialty crops to gratuitous or low-priced distribution in areas of the population where they will do most to raise health and bodily efficiency. This work should be undertaken on a practical and tough-minded basis of agricultural stabilization, not as a sentimental program of free feeding or as a special privilege to certain agricultural groups.

How far the usefulness of this device can be extended into staple products or to deal with surpluses beyond the limit of a single growing season has not yet been demonstrated in practice. This whole field, however, should be one of vigorous but practical exploration in the postwar period.

As I see it, the prime problem of postwar economic adjustment is to secure high-level activity on a self-sustaining basis in the industrial sector of the economy. Such activity will produce the maximum absorptive market for farm products and the readiest absorption of surplus labor from the farm.

Under such conditions, the well-proven devices of agricultural research and advisory guidance, voluntary cooperative associations, and Government coordination of the financing function, together with sound development of the newer devices of surplus disposal, will provide most effectively for the economic health of agriculture.

But if we fail to have adequate industrial leadership and sound complementary Government action in the industrial area, no amount of agrarian pills and poultices will avail much.

Thus, you will see that my strategy for an agricultural program would be something of a return—as I have said to Mr. Goss, national master of the Grange—to the earlier antimonopoly or procompetition campaign on which the Grange operated in its early days. This led, as you will recall, to the establishment of the Interstate Commerce Commission and the enactment of quite a number of measures over the years, which were directed not specifically at special aid to agriculture but to improving the situation of the national economy as a whole.

That, sir, is the general statement which I have prepared.

Mr. ZIMMERMAN. Mr. Nourse, if I followed you correctly, you agree somewhat in the doctrine of old Adam Smith—the man who would govern the price of farm commodities must follow the law of supply and demand—you feel that should be done freely and unrestrictedly; is that the thesis?

Mr. NOURSE. It is definitely a thesis that a truly competitive world is the most productive world. It proposes an attack upon restraints of the competitive market, rather than building up offsetting artificial stimuli in some way to support prices.

Mr. ZIMMERMAN. Well, now, let me ask you this:

When a man gets very ill, disease is about to take him over the brink, sometimes the doctor gives him “a shot”, as we call it, to hold him a little while until he can get better or recuperate to a point where he can make the grade.

Now, you, of course, inveighed against subsidies and the payment to farmers to boost the price. Of course, you think that is wrong, as a long-time program but do you think it might serve, at this time, some useful purpose?

Mr. NOURSE. Yes; I think that the physician does have to have some morphine and alcohol and adrenalin, and various things to serve as a

shot in the arm. But the reputable doctor doesn't limit his medicine to that sort of treatment.

Mr. ZIMMERMAN. Then you don't disapprove the program that we have followed since the days of the depression, to try to break up things and bring up the price of farm products to where the farmer could really get along with his economy?

Mr. NOURSE. Well, I don't disapprove, in principle, the idea that certain relief measures have to be taken in an emergency of that sort. Nor do I say, on the other hand, that I approve in toto all the measures that were taken and the way they were carried out, or in continuing to rely upon them.

Mr. ZIMMERMAN. I would agree that we should not rely on that wholly, but whether or not we have made some serious mistakes in administering these shots—do you think that might be a question open for a good deal of consideration?

Mr. NOURSE. Well, I think the line which was taken in the emergency, the Agricultural Adjustment Act, at the beginning of the depression, loses its justification when it goes on to the support of a cotton price permanently, or without any known end, above 20 cents, when we know that we can produce the cotton supply far below 10 cents. That is the abuse of a principle which had been very good, perhaps, as a relief measure in an emergency.

Mr. ZIMMERMAN. In other words, you are not condemning what we have done under an emergency situation, but it is your position that we shall have to be a little careful about the way we use the different drugs; that you should try to get the patient to the point where he won't need them.

Mr. NOURSE. Yes.

Mr. ZIMMERMAN. I wanted to get your thought there.

Mr. NOURSE. And I think there is a danger there, of a spread of the same sort of treatment from the extreme situation to many others; that is, there is a tendency for others to say, "You dealt with cotton this way; you should give an equal amount of special support to wool;" and if you gave it to cotton and wool, then they would want it for corn or wheat, or whatever else you may have.

You recall the theory of the original five strategic commodities under Agricultural Adjustment Agency, and how if they were helped, the whole farm market would be stabilized.

But it went on and on into other commodities, until most of them were included in the parity program.

Mr. HOPE. These drugs that you are talking about are habit-forming, are they not?

Mr. NOURSE. Yes.

Mr. ZIMMERMAN. You laid down here the four fundamental propositions that you have offered, and the first is helping in farm management and research problems. Of course, that has been going on, and your idea is that program should be implemented in every possible way and we should continue to do what we are doing and what is being carried out by our land-grant colleges, agricultural schools, and our Extension Services, and so forth. You approve of the extension services?

Mr. NOURSE. Yes.

Mr. ZIMMERMAN. You supported that, and are you in favor of the bill which was recently passed?

Mr. NOURSE. Well, I don't know that I am familiar enough with all the details to make a blanket approval of it.

Mr. ZIMMERMAN. It was appropriating additional money to carry on that work.

Now, the second proposition was that you praised cooperatives as a means of enabling the individual farmers to work in groups and with large organizations to promote the sale and disposition of the commodities.

Then, the third was——

Mr. NOURSE (interposing). Just a word on that. Of course, in that case, too, I said there are some problems as to how the cooperative associations should be used. I think it is desirable that Government should make available to the farmers this type of organization for their commercial operations, that it should furnish assistance in putting the operations on the basis of high efficiency. But also, the occasion may arise when it might be necessary to use restraint, to eliminate abuse from that type of institution. We have had illustrations of use of cooperative organizations as restrictive, militant, price-boosting agencies for particular agricultural groups, just as much as the corporations have been used for some of the restraints seen in the industrial field.

Now, that is partly a matter that would be up to the Federal Trade Commission, the Department of Justice, and other agencies. But it seems to me that Government—that is, the agricultural part of the Government—through the passing of various pieces of legislation which tend to promote the cooperative form of organization, should also recognize the possible abuse of those powers and see that the proper curbs are applied.

Mr. ZIMMERMAN. Yes. Well, of course, the financing of the American farmer through the Farm Credit Administration—the House Committee on Agriculture is undertaking a study of that whole field with a view toward coordinating the program and making it more effective and helpful to more farmers—I think you can recognize the benefits of that.

Your fourth point was the disposition of surpluses.

Mr. NOURSE. Yes.

Mr. ZIMMERMAN. I take it that you approve the school-lunch program as a part of that, or do you?

Mr. NOURSE. I do.

Mr. ZIMMERMAN. And some plan like the stamp plan—did you approve of that?

Mr. NOURSE. I think that was a very interesting experimentation in this field, and that is why I said that is one of the newer things that has been through the demonstration stage and we can see that it has very considerable possibilities of usefulness. We also see difficulties. The amount of produce that can be distributed in that way may be disproportionate to the school-lunch method of disposal. It seems to me that that is perhaps the greatest unsolved problem there, not as to the desirability of the principle but how we can carry it out in a size proportionate to the surplus problems as they appear.

Mr. ZIMMERMAN. Now, I come from a cotton section down in Missouri where we rely upon cotton as our cash crop, primarily. We cannot eat cotton, you know.

Mr. NOURSE. That is right.

Mr. ZIMMERMAN. And you put that under a stamp plan and scatter it around among the leading people—but it has got to be processed and disposed of. That presents a little more difficult problem, does it not?

Mr. NOURSE. It does. I do not see at the present time any possible practicable development of a surplus disposal program in cotton that would cure the trouble you have there, with the surplus you have. Something else would have to be used there.

Mr. ZIMMERMAN. Now, where cotton in the South presents one problem—as I get your thought—the idea is that we must maintain some control of the amount of cotton that we produce. What do you think about that?

Mr. NOURSE. Well, as a general matter, the control of acreage or the control of specific farm operations seems to be something which should be resorted to only on an emergency basis.

Mr. ZIMMERMAN. I know, but I have observed the operations of a cotton program for a long time. When the surpluses reached a certain point, then you have disaster in price; you disrupt the economy in our whole section of the country. So it seems to me that we should look at this cotton question a little bit differently from ordinary commodities like corn, where you can feed that to your livestock and make lard or something else out of it.

Mr. NOURSE. I suggest the reason the cotton problem is in the condition it is in at the present time is because the measures which have been taken for the last dozen years have not moved toward facing the price realities of that situation but have been trying to approach it in terms of price support.

Mr. ZIMMERMAN. But you do remember in 1937 when restrictions were lifted, we produced 19,000,000 bales of cotton in our country, almost twice what we ordinarily produced. That created a terrible situation, and that can happen, because we have the soil, and our men can produce it. When this gets out of line, then, of course, the cotton farmer's economy is ready for disaster.

Mr. NOURSE. Well, you can't get out of a bad situation and into a good one unless somebody somewhere gets hurt in the process, and if you are not willing to face that in a period such as we have had, it seems to me to give us an unpromising prospect of being able to face it at any time.

Mr. ZIMMERMAN. That does seem to be a little different problem.

Mr. NOURSE. Because we have gone on up in price and increasing surplus accumulations during the period of active war demand, when we should have been taking measures to absorb the surplus and to avoid the situation we are now getting into.

Dr. SCHULTZ. Mr. Chairman, may I interpose a question here?

Mr. ZIMMERMAN. Certainly.

Dr. SCHULTZ. It would be well to point out that within the last 3 years, after the A. A. A. dropped its acreage restrictions on cotton, even with the price at 20 cents, the acreage of cotton has been shrinking about 2,000,000 acres a year. Where it was 24,000,000 it went down to 22,000,000 and then to 20,000,000 in 1944 with every indication that it is going down again in 1945.

Now, the inference is that if we have a prosperous economy and draw enough labor out of that field so that labor in the cotton economy has other job opportunities, the cotton acreage will not be too large.

Mr. ZIMMERMAN. You understand, of course, Dr. Schultz, that in the last few years since the war, we know that two things have brought down cotton acreage, and one is the lack of manpower.

Dr. SCHULTZ. That is right.

Mr. ZIMMERMAN. And the second is the lack of farm machinery.

Dr. SCHULTZ. That is right.

Mr. ZIMMERMAN. In other words, those boys just could not operate the acreage that was available. Now, that was the result of the wartime condition. I think, that you have made a good suggestion, a very interesting one, in that if there were sufficient industry to draw on this manpower in the South, that might bring the production of cotton down to a level that would be in line with our needs. I think that is a very fine suggestion.

Dr. SCHULTZ. The war period provides a clue.

Mr. ZIMMERMAN. It gives a clue to what may be done if certain things happen, such as the establishment of additional industrial enterprises in the South, or at least some means taken to educate our Southern people to go where industries exist and where you can get jobs and support people. I thank you for that.

One further question—I don't want to monopolize all of the time here—you spoke about agriculture, how it started out and how it was the last segment of our economy to undertake to do anything to help itself. Wasn't that about it?

Mr. NOURSE. I am not sure quite what you mean, "to help itself."

Mr. ZIMMERMAN. I mean agriculture, in the early history of our country, just went along by its own momentum and did not have any Government support or help or organized assistance, like industry.

They went out and said, "We must have protected markets," and they put in tariffs, and then later on the labor unions came into being and they started fixing prices in their organization, boosting things, and, as I say, agriculture is the last segment, the last section of the economy to take any protective measures in its own behalf, don't you think?

Mr. NOURSE. Yes.

Mr. ZIMMERMAN. And wasn't it rather driven to that extremity, on account of—I'll say—industry and labor?

Mr. NOURSE. I think I made that statement here, that the capitalist industrial interests led off in this type of protective organization, and then labor unions came along with their type of organization, and finally the farmer in pretty much the same situation was driven into it.

Now, my second proposition was that, having built up a number of protective devices which complete a system of offsetting controls and supports and restrictions throughout the economy, I think it is time now for them—using as trading stock their own protective measures—to make the attack in the other direction; in other words, getting a free, competitive situation in the other sector.

Mr. ZIMMERMAN. I am wondering whether the four fundamentals that you have here—the things that you think should be done for agriculture—are enough under our existing economic conditions in this country, in view of the industrial organization and labor organization. Do you think agriculture will be able to compete with them and stand up and go along?

Mr. NOURSE. I think my answer to that, Mr. Zimmerman, would be something like this:

No; they are not enough, but more would not be enough either. More of this sort of restriction would make a bad situation worse rather than getting a fundamental cure of the situation.

Mr. ZIMMERMAN. You are not going to leave them in this position, are you?

Mr. NOURSE. Well, if I were a person who was being reelected by the votes of his constituents my answer to that would have to be "No." That is, you have got to have a positive program, a positive agricultural program.

It seems to me, however, that it is unfortunate and self-defeating and bound to be disappointing in the end, if you attempt to deal with the agricultural problem by more protective and restrictive measures applied to agriculture, or by artificial steps which may have the interests of some industries at heart, but—

Mr. ZIMMERMAN (interposing). You think we could go back and work on this tariff question a little?

Mr. NOURSE. Yes; that would be one way.

Mr. ZIMMERMAN. That is a hard spot, or would you suggest—

Mr. NOURSE. Although, as a matter of fact I am not a doctrinaire free trader in the sense that I think that it is a major issue. You have a big enough economic area, primarily a free-trade area within the United States, and I think the rate of relative importance of domestic adjustment is above that of international trade; I place it higher than many economists do.

Of course, I put the problem of international trade in the position of secondary importance, not ignoring it, also not thinking that that is the key to the question.

Mr. ZIMMERMAN. Don't you think organized labor has gotten a little out of bounds, as far as agriculture is concerned?

Mr. NOURSE. Yes; I would say that its special support and use of a monopolistic position is probably the most aggravated on the part of any of the three classes, at the moment.

Mr. ZIMMERMAN. So they are operating along that line, as well as operating in agriculture. You do think that should have a thought, though, do you not?

Mr. NOURSE. In your post-war planning, the labor issue has to bulk very large and that, you could very properly say, is part of our positive program for dealing with agriculture's problem, since we are dealing with industrial conditions that make the agricultural market.

Mr. ZIMMERMAN. That is all I wanted to know at the moment.

Mr. Hope, have you any questions?

Mr. HOPE. Yes; I have a few questions here.

I, to a certain degree, agree with what you have said, at least theoretically; but, of course, the problem we have here, as Members of Congress, is to find out how to tackle this subject that is right here with us now, that is, we have got that problem right here on our doorstep with us, as soon as the war is over, and we have got this 90 percent parity guaranty for commodities without any limit on quantity, that we are going to pay that guaranteed price on—just a lot of those problems that are going to confront us, and the question is, What can you do to work out the thing in a practical way without too much disruption?

I would like, before we get into the general subject, to know: What is your viewpoint on support prices? Do you think support

prices would have any place at all in the picture; that is, I am not talking about a support price that might be high enough to fix prices, but do you think there is any merit in a support price at the level which would save the farmer from disaster, perhaps, but not for the purpose of fixing a price, which, of course, has been the sole policy for support prices in recent years?

Mr. NOURSE. I expect that as a Congressman I would vote for support prices, in certain short-run emergency situations. It has to be recognized, however, that it is a type of measure which is loaded with dynamite. It presents two very unpleasant alternatives—either a break-down because of the lack of control, unless you have most favorable circumstances, or else, in order to make it effective, you have to go to the control of production. I don't think either of those is a long-run solution, or would be economically satisfactory.

Take, for instance, after the other war, we had our wheat guaranty. Well, we had favorable circumstances then, and it was not called upon to any extent. Now if the next few years are such that a guaranty which does have a stabilizing effect on agriculture doesn't impose a heavy burden on the economy, then you will be out of that period successfully as a political matter. If, however, surplus conditions go on and continue—that is, beyond the transition period—price support proves a dangerous policy.

Mr. HOPE. What is your opinion of the present price-support program? Do you think that prices are going to stay up naturally after the war period to a point where this present support-price program will not be needed, or we won't have to call on it, or do you think the general level of prices is going to be such that it will be called into play?

Mr. NOURSE. Well, of course, as an economist, I don't like to do crystal gazing. But it does seem to me that the best guess we would have, and it is strictly a guess, is that conditions are going to be relatively favorable. That is my guess, and, as I say, I label it a guess—that the transition difficulties are not going to be very severe; getting into a period of several years of post-war prosperity is going to be relatively easy.

Beyond that point I am extremely apprehensive, because I think we are going to take the easy course in that period and simply lay the way for terrible difficulties after a period of years—5, 6, 7, or even 8, or what have you.

Mr. HOPE. You say we will take the easy course, not do anything—let things slide?

Mr. NOURSE. No, I meant that business in general would take the easy course. You have accumulated savings now, and shortages on the supply side, so that you have a relatively easy situation. Going back to what I said about industrial policy, if businessmen do not make the price adjustments on that side, make price adjustments which are sound even when not forced upon them by competition, then they will be living in a fool's paradise in the prosperous period, and looking for trouble in an inevitable depression situation.

Mr. HOPE. The whole trouble all the way through is that the whole world today seems to be bent on getting away from competition of any kind, isn't that the whole trouble? It is a trend of mind. How do we change that?

Mr. NOURSE. Well, I can make one answer which is rather easy, and one which is rather difficult. The easy answer is to say that you can't improve it by helping the farmer also to get into a non-competitive situation. If you follow that line, your entire economy will be in a noncompetitive situation, and this means that you will have to have universal direction, which, I think, creates an impossible situation for government.

I tried in the last paragraph of my statement to say, in very general terms, what my philosophy was on that point. I think that it is highly important that Government policy shall not continue to build up more noncompetitive situations and that we do remove noncompetitive opportunities which have been created in the past and do that in this period ahead, which is a relatively easy one.

The time to mend your roof is in fair weather, and that is why I think it is highly important that that work be done on our economy as a whole, agriculture, industry and labor, within the years favorable for adjustment that lie just ahead.

Now, as to the hard answer. I don't think that it is possible to meet this situation and get a genuinely competitive economy by means of a wholesome price structure simply by measures that stem from government, either legislation or the operation of the Federal Trade Commission or the Department of Commerce and others. In a modern industrial situation you do have schemes, units, nuclei of organizations within which perfectly legal, perfectly legitimate non-competitive practice can be followed. Thus, sound business practice has to be based on a profound understanding of fundamental economic principles.

In talking to various groups in the business world, expounding this general price philosophy, I have told them that what it really means is that, within the area in which business is protected, by virtue of the scheme of organization, from the necessity of following competitive practice, executives must see the wisdom or economic necessity for the long-run health of the economy to follow truly competitive practice. Of course, the trend in recent years has been away from or around the logic of that doctrine. What is necessary now is to promote an educational approach on the part of industry. There, I think, you have one-half of the program of postwar adjustment, complementary to the part to be played by government.

Mr. HOPE. Well, isn't it almost altogether an educational program? People generally seem to have gotten the idea—I don't care whether they are farmers, laborers, or businessmen, whatever they are, they have gotten the idea that they can make more money by producing less, that is, individually.

They have apparently paid no attention to the general picture, but are thinking about their own individual situation. I don't know where that type of philosophy got such a start, but it seems to have permeated everything.

Mr. NOURSE. It is very widespread.

Mr. HOPE. What would have to be done to reverse that trend?

Mr. NOURSE. Of course, again my easy answer would be—the first thing to do, if you are going to reverse your trend, you have got to stop going in the opposite direction. That would be my counsel in an agricultural program. To do the thing which would move in the direction of less competitive and more restrictive things for agriculture is simply contributing to a bad situation.

Now, merely stopping that, as you suggested, is a very negative sort of recommendation.

Dr. SCHULTZ. May I interrupt there, Mr. Hope?

Mr. HOPE. Yes.

Dr. SCHULTZ. You may have noticed that in agriculture when farmers have opportunities to expand as they have had during the last 5 years, there has been a lessening of this restrictionist attitude.

I am very much impressed with the fact that farmers were willing to "permit" the importation of 150,000,000 bushels of grain from Canada last year free of duty. Resources in agriculture have been shifted. If you look underneath at labor in agriculture, say in cotton, many workers have shifted to other occupations. In the case of sugar beets, they have shifted very rapidly in this period to other things, whereas the relative payments to mills and farmers of sugar beets have gone up as much as competing crops. A shift from wool and sheep to cattle and hogs has also occurred.

Within the last 5 years literally millions of farmers have had the opportunity of employing their energy in other occupations and this we have not had the old attitude of "restriction." Do you concur in that?

Mr. NOURSE. I think that is true partly because of the nature of industry, and partly because of the educational progress made over a period of many years. You take the general atmosphere of the sort of farmers' meetings that you get in agricultural areas, it is quite different and much more responsive than you get in a labor audience, or an employers' audience.

Mr. ZIMMERMAN. May I ask a question there?

Mr. HOPE. Go right ahead.

Mr. ZIMMERMAN. We are speaking of what industry has done, and we know, for a certainty, that in certain areas it will do a certain thing, and in another area it will do something else, and the same applies to agriculture, and in that way they have gotten away from competition.

Not so much, however, in agriculture. Take automobiles, for instance: they get together and decide how many they are going to make this year, how many they are going to make for the East and for the West and for shipment abroad, and I don't want to criticize them for that, but here comes the farmer—for example, you gentlemen pretty well know that in the last year or two we have given great encouragement to the production of peanuts, for peanut oil.

Peanut oil is almost a new industry in this country. Now, the farmer doesn't have any way of sitting down with soybeans, cottonseed, and these other things, and figuring out how many bushels of peanuts he should produce, or how many bushels of soybeans and of this and that, they just can't do it, it just isn't possible for agriculture, which is made up of individuals, independents, it doesn't seem that that can be done.

Mr. NOURSE. I think that under your agricultural extension service, you have taken an important step toward getting a general perspective of the relative opportunities of production in different lines. But farmers are all working as individual small-scale operators. They always work on the basis of fully using their resources. But these other people work on the basis of seeking maximum profits. They peg a price by partial nonutilization of resources—nonemployment of labor

and, in part, by scaling down the use of their plant, so you have an essentially different situation.

Mr. ZIMMERMAN. That is the point I wanted to bring out. The thing you say that develops in industry just can't develop in agriculture.

Mr. NOURSE. Not to the same extent.

Mr. ZIMMERMAN. I want to thank you for allowing me to speak, Mr. Hope. I hope I didn't throw you too far off of your line of thought.

Mr. HOPE. That is all right. Of course, that is one of the big differences.

Mr. NOURSE. Unless government comes in with a production adjustment program.

Mr. HOPE. I think we have all noticed during this last 5-year period the thing that Dr. Schultz mentioned, that the farmers are still individual and still believe in competition. They still have demonstrated in the last 5 years that they can't make adjustments easily, and I think if you take a close look at it, it goes back more than 5 years ago.

Mr. NOURSE. They will make the adjustment if someone will take the surplus later and absorb the problem.

Mr. HOPE. Yes; but what would their attitude be the next time we run into a depression. I don't know whether they would come back in desperation to the same thought that they had the last decade before the war, that we have to do that sort of thing.

Now, look at it from a practical standpoint, and by that I mean the standpoint of what you can do in a country where the people themselves decide their policies; I just wondered how much influence the agricultural part of the population can have on these policies, because it is constantly becoming a smaller portion of the population. You mentioned the Grange antimonopoly program, which was effective and brought about results, but that was back at a time when the proportion of your population which lived on farms and in rural communities was much larger than it is at the present time.

Mr. NOURSE. That is true.

Mr. HOPE. It was greater than today, and they had more influence then.

Mr. NOURSE. On the other hand, if you have a certain amount of influence to wield, will you wield it toward piling up controls which make the situation worse, or will you wield it in the direction of trying to add your strength to other influences which move in the direction of tearing down the restraints in other parts of the economy. This is, particularly important now. If you were faced today by an emergency period ahead, then you would have to think in terms of emergency relief measures. But I am thinking in terms of 5 or 6 or 7 years' span in which conditions will be relatively favorable.

Mr. HOPE. You think that is a golden opportunity?

Mr. NOURSE. You have to prepare for the avoidance of that depression time, rather than talk about emergency measures now.

Mr. HOPE. You think that this is really an opportunity in the next few years we may not have again, or would you go that far?

Mr. NOURSE. Well, I don't know what will happen after that, if we do get into that situation. I think it will be pretty tragic.

Mr. HOPE. It seems to me it is rather apparent that the farmers' organizations which have advocated a restrictionist program, if you want to call it that, or have advocated an agricultural policy following that of industry and labor, have taken that position somewhat as a last resort. That is, they have seen industry and labor put themselves into a position where they have very largely eliminated competition, leaving agriculture as the only competitive industry we have. They have figured that is putting agriculture at a disadvantage, which it undoubtedly has done and it very naturally seems to them that the thing to do is to go forward and meet industry and labor on their own grounds.

Mr. NOURSE. Naturally. And I have seen the steps by which it progressed. I remember sitting in at meetings of the National Agricultural Conference during President Harding's administration. Samuel Gompers got the floor to protest against the Adamson Act and went on outlining the militant policy which labor followed and which he said should be followed by farmers. In conclusion, he said, "My counsel to your farmers is that you go out and do likewise."

I remember how farm speakers echoed that "go and do likewise," and urged organized agriculture to "fight fire with fire."

Mr. HOPE. Of course, that is it, and that brings up a practical legislative question. It is so much easier to attack a problem by being for something than it is by being against.

Mr. NOURSE. Yes.

Mr. HOPE. Now, in the case of most of the agricultural programs, the labor organizations have supported those programs because they come to them and more or less say, "Agriculture, you support our program." There hasn't been too much reciprocity there, either; but nevertheless the attitude of the labor organizations has been "We will go along on a farm program, and we believe that you should follow the same course that we are following and that business is following."

Well, that, of course, has made it much easier for anyone who was trying to work out some solution for the disadvantage that agriculture was in, to say, "Maybe that is the way to go," because if they were to attack it from the other angle and say, "Well, our trouble is monopoly," or "It is restrictions on production by labor; let's fight that," then you are going right against the stream.

Mr. NOURSE. Yes.

Mr. HOPE. And I know that you are aware of that problem. Still I think we must simply consider a practical angle of it when we talk about changing the policy. I don't think we can expect agriculture to get very far, and I know you don't either, unless we could get support from industry and labor, and the whole thing that bothers me is whether agriculture can let go of what it has unless there is some assurance that in the end everybody will get back into a more competitive position.

Mr. NOURSE. Sure.

Mr. HOPE. That is the whole problem, from a practical standpoint—where to let go, I think.

Mr. NOURSE. And it is very difficult to show just how slight the advantage may be, if you do have an absolute advantage perhaps even with an offset or a relative loss on that—it is very hard to show the different course that could have been followed perhaps more successfully.

Dr. SCHULTZ. May I ask this question:

Suppose we take a more pessimistic assumption than Mr. Nourse has taken with reference to the postwar, namely this:

That wheat and cotton, fats and oils, will be in pretty serious straits long before 5 years are out. On the presumption that a great deal of the labor now in industry in the South will have to go back to the farm and will have to be used in the production of cotton, add mechanization, and it seems to me that this points rather clearly to a supply which is completely out of line with the demand in prospect at the support price levels.

Now, if before the two-year commitment in farm price supports expires, the demand falls sharply, what should Congress do?

Mr. NOURSE. I didn't mean to say that there would not be a surplus situation develop. I meant to say that I thought the situation of the industrial market, that is, everything outside of agriculture, would be relatively favorable in that period.

Now, my answer to your question would be that, with a guarantee of 2 or 3 years beyond the war, you could tend to give an artificial support to lines of production which are in the redundant situation. You do get over this period of adjustment with the subsidy, but it will tend to support agriculture on the basis of production which is not indicated for the future.

Now, if at the end of that time you are not ready to face the fundamental problem and get down to a self-sustaining basis, then you are facing real trouble. Suppose you kept on as you have been going in cotton, instead of facing the situation, taking the surplus and going on and accumulating more surplus without facing the necessity of there ever being an adjustment. Now, if you transfer that to several of the major industries, then you see you are driving for trouble.

Dr. SCHULTZ. You are, in substance, saying that there is no escape of a prolonged deflation in agriculture?

Mr. NOURSE. Well, for those branches of agriculture which are redundant in terms of the fully employed peacetime industry, yes. That is why I say the need of absorbing surplus labor must be recognized, even with mechanization. If you do not recognize it, then you will have a bad situation.

Dr. SCHULTZ. I wanted to focus that point, it is important. Mr. Hope, as a Congressman, will be confronted with all the substances of inflation in agricultural areas sometime before the 5 years is out, and then a direct course of action will be necessary.

Mr. NOURSE. They will be right up against difficulties as soon as their present guaranties have to be reconsidered.

Mr. HOPE. I am glad you brought that out, Dr. Schultz, because it is a real problem, there is no question about it, and one that is bound to be brought out as soon as these guaranties are off, maybe before. I would like to ask this final question just because this is a practical problem: suppose we assume that there is no chance of changing the situation as far as industry and labor are concerned, that they are going to go ahead with the monopolistic practices, would your answer still be that agriculture would be better off if it stayed on a competitive basis, or do you think that agriculture would better itself by going as far as it could in following the monopolistic practices?

Mr. NOURSE. Well; I find that an extremely difficult question to answer because it seems to me that about all you say is—would it be better to accelerate a process of general disaster, because we would do a little better for ourselves for a year or two before the general break came, on the assumption that even with a different practice, you could not materially change the situation. I think it is a sort of defeatist hypothesis, putting it as you put it—

Mr. HOPE. It is, but I am bothered about it very much.

Mr. NOURSE. But it is the same argument that I get from every side—"Well, what is the use for us to try to do anything, because labor is going to follow the same course they have been following; industry, its own course; and now agriculture."

It is the same sort of danger that appears in our political life. The individual citizen often gets discouraged and says: "What is the use in trying to go against the stream? I'll do as others do; I'll climb on the band wagon." Or he may fail to vote at all because one vote cannot change the outcome.

Mr. HOPE. As I understand you, your position is that everybody, as a nation, has been following the wrong policy for a long time, and it is everybody's responsibility to get back on the right track. As far as the responsibility for our present position is concerned, agriculture has less to answer for than anybody else, and probably has less power to change the situation?

Mr. NOURSE. That is partly true, too.

Mr. HOPE. But you think it will be a mistake for agriculture to decide, "Well, it's no use fighting any longer; we will just go along with the current trend." Do you think that will be a mistake? I know you do.

Mr. NOURSE. I think the results are bound to be disappointing in the long run. It is an economic mistake, whether it is a political mistake or not—I mean for the head of a farmers' organization, which has somewhat the same problem as a legislator—I don't see any prospect that any one of them is willing to become the leader of that kind of a crusade.

Mr. HOPE. That is the difficulty, I mean in any program of this kind. It is the tangible versus the intangible that you have to contend with.

Mr. NOURSE. You have the same things in other sectors here where you perhaps had a progressive organization that came up and their leaders went a certain distance into the matter. Then they stopped and had an argument among their leadership and they decided they were going too far.

Here perhaps you have the Chamber of Commerce of the United States taking a certain amount of leadership, which I don't think the organization itself will fully follow the chairman in; they have gone to the extent of getting a labor-management charter in which the labor unions have participated and signed, and I hear over the grapevine that they are afraid they have put their necks out further than they intended.

There are groups of leadership in each of these factions where, if we could get a mutual understanding and a real getting together among the leaders of the three groups on national policy, then I think we would make great headway.

Now, whether we could get those, I am saying what seems to me to be the outline of a sound economic policy—whether as a practical matter you could get the interested parties to accept it or not, I can't be so optimistic on that score, although there are progressives and reactionaries in each of the groups.

Mr. HOPE. I realize that is true.

Mr. NOURSE. But you will certainly never know how far you can go towards success until you try.

Mr. ZIMMERMAN. I will be glad to hear some questions from Mr. Folsom.

Mr. FOLSOM. I have no questions along that line, Mr. Chairman.

Mr. ZIMMERMAN. Have you any further questions you would like to put to the witness, Dr. Schultz?

Dr. SCHULTZ. No; thank you.

Mr. SIMPSON. Mr. Nourse, I don't know whether this is germane or not, but I would like to know if you have given any thought to farm labor? After the other war, and up until this war started, a farmer was getting monthly labor at \$30 to \$50 a month. Now it is \$100 a month. Do you think we would ever see the day when farm labor will go back to \$50 a month? What do you think?

Mr. NOURSE. No, I do not think so; any more than you will find domestic help working for \$5 a week, even here in Washington.

Mr. SIMPSON. What is the answer as it affects production?

Mr. NOURSE. Well, I don't believe that that would affect a material change in the volume of production. I don't think that the cash labor item is a big enough factor in our total production to be a decisive weight one way or another. However, I have not analyzed the figures on that fully, so I will not be too positive on that.

Mr. SIMPSON. If a farmer is working 160 or 200 acres, he will perhaps employ, say, two monthly farm laborers, or helpers, and furnish them with a home, as they do, and these same people today can go into defense plants and make much more money, with the result that this same farmer has had to go in certain localities as high as \$75 to \$100 for that same farm help.

Now, what I wondered was, what will happen if there is a lower trend in agricultural prices and a farmer cannot pay this price help? Where is he going to get it and what will happen?

Mr. NOURSE. I can't see through the later repercussions of that. I think that the immediate effect would be higher prices, and, of course, higher priced labor would call for mechanization in agriculture, which is possible, because of the better cash position of the farmer at this time. The way you meet the thing now simply creates more of a labor surplus problem or product surplus problem further on.

Mr. SIMPSON. These farmers are already highly mechanized now, with the same type help.

Mr. NOURSE. You are getting further labor economies—

Dr. SCHULTZ. Just at that point: You take again a period of 2 years from now, the opposite side of the shield will be turned, and that is, we will be concerned about too many people returning to agriculture.

Mr. NOURSE. That would be more in the way of a family wage, rather than labor.

Dr. SCHULTZ. In both senses. Of course, you have the armed services, and while it is true that some of them will not choose to return to farms, there will be a large group who will.

Mr. SIMPSON. They won't want to go back for \$40 a month.

Dr. SCHULTZ. But they will for \$100. Then you have many millions of farm people who have left and taken industrial jobs, many of them will be trekking back during the transition, who become unemployed so that I should expect that even in middle Illinois and Iowa, out in the corn country, the trek back will run percentage-wise up to 8 or 10 percent. There will also be further mechanization on many farms reducing the number of workers required.

Mr. ZIMMERMAN. I think that Mr. Simpson raised a very vital question, so far as the average farmer is concerned. We are going to pay high taxes for a good while yet and the cost of farm machinery is not going down, because that is so arranged that it stays up. Now, all the money that the farmer gets is from the commodity he raises. That is what he pays everything out of, taxes, living expenses, the schooling of his children and for his hired help, and I feel that that is a factor.

Mr. SIMPSON. You can get that hired help if you compete with the price of the munitions plant in your area, like out in my section where the Western Cartridge Co. in East Alton, Ill., has practically drained the \$50 and \$60 a month farm hands from the fields.

They thought that was a wonderful salary, and moved into this industrial area and went to work on this shift, perhaps from 8 to 4, and then from 4 to 12, and then they started to hitting the midnight shift and they decided that the farm was better in the daytime, and a lot of them wanted to go back and they could not.

I think if there was an educational program for the farmer, it would equip him so that he would know how to meet this situation. I think he could meet it if he made up his mind, in a wage competition matter, you might say; I know the farmer could pay the present prices in our locality—of course, I can't answer for yours—at any rate, he could with the good crops that have been gathered within the last 7 years.

I think that they could compete with the \$100 to \$125 monthly rate if they wanted to, but it is sure coming if you get farm prices back to where they were in 1934 or '35.

Mr. FOLSOM. I would like to ask a question there, if I might. What sir, do you think as to the feasibility of bringing farm labor into the old-age insurance plan, or Social Security?

Mr. NOURSE. I have never qualified as an expert on social insurance. I think it probably will be tried out, though.

Mr. FOLSOM. Do you think it is something to be desired?

Dr. SCHULTZ. I might say that Dr. M. R. Benedict of the University of California is just completing a study regarding old-age insurance and survivor benefits. There might be a rather simple way of extending Social Security benefits by categorizing farm people and their incomes.

Mr. ZIMMERMAN. I believe our time is about up, gentlemen, and it is important that we get over to the House.

I want to express the appreciation of our committee for your appearance here, Doctor. You have been very informative and helpful to us and it has been a pleasure to have met you.

Mr. NOURSE. It has been a pleasure to have met with you, sir.

Mr. ZIMMERMAN. We now stand adjourned, subject to call.

(Whereupon, at 12 o'clock noon, the subcommittee adjourned, subject to the call of the Chair.)

(The following was submitted for the record:)

EXHIBIT 1

REPORT OF THE NEW YORK STATE EMERGENCY FOOD COMMISSION, OCTOBER 16, 1944

(Submitted by William I. Myers, dean, College of Agriculture, Cornell University)

FOOD AND FARMING—A POST-WAR PROGRAM FOR NEW YORK

SUMMARY AND RECOMMENDATIONS

If everyone in the United States had a good diet, our national health and vigor would be greatly improved and the problem of maintaining a prosperous agriculture would be largely solved. A good diet for everyone would necessitate a large increase in the production of the protective foods—dairy products, meats, eggs, fruits, and vegetables. A substantial increase in the per capita consumption of these foods would both improve our health and make fuller use of our farm plant.

In working toward the twin goals of a prosperous agriculture and a good diet for all, many problems must be faced. Farm incomes must be such as to enable efficient farm operators to pay operating expenses, maintain their farms, and provide a good living for themselves and their families. Consumers must have enough money to buy the food they need, which means they must have jobs. In addition, education in what constitutes a good diet is called for, and for those who are hopelessly handicapped with respect to income, some form of aid is necessary for them to get the amounts of protective foods required for good health.

In 1936 approximately two-thirds of the Nation's families had incomes of less than \$30 a week. There were 10,000,000 unemployed, and 15 percent of all families were on relief some time during the year. Under such circumstances not only is national health endangered, but a prosperous agriculture is impossible. Studies of food consumption at different income levels in 1941 indicate that families with incomes of less than \$30 per week consumed 9 percent less milk, 17 percent less eggs, 20 percent less meat, 34 percent less fresh fruit, and 9 percent less fresh vegetables than the amount required for a reasonably good diet. This extra production at fair market prices would have materially improved farm income, which in turn would have enabled farmers to buy more of the products of business and industry.

NEW YORK STATE'S FOOD AND FARM PROBLEM

Fifteen percent of the total urban population of the United States lives in New York State. This large urban population depends upon New York's agriculture for nearly all of its fluid milk and cream, three-fourths of its fresh vegetables, and two-fifths of its fresh eggs and fresh fruit. Since these are the foods required in generous quantities to provide a good diet, the stake of New York's consumers in the agriculture of the State is evident. Likewise, New York farmers have an important stake in the welfare of New York consumers, since to the extent consumers have jobs and full pay envelopes there is an active demand for the products of New York farms. To assure a continuing and ample food supply, it is essential that farm prices and incomes be such as to provide a fair return to agriculture.

Here, then, is a problem in which all groups in the State have an interest—to find ways and means for everyone in the State to have a good diet and to maintain New York's agriculture on a prosperous basis.

A NEW YORK STATE PROGRAM

During the 2 years of its existence, the work of the New York State Emergency Food Commission has given its members an opportunity to acquaint themselves at first hand with almost every phase of New York's food and farm problem. The commission's work was to assist producers, processors, distributors, and transportation services in meeting the many emergency problems growing out of the war, so that New York State's large population would be assured at all times of an adequate food supply. A further task was to assist consumers in making the best possible use of available food supplies by providing them with information on how to meet wartime nutritional problems.

During the course of its work, the commission has had impressed upon it the interdependence of various segments of New York State's economy—the dependence of New York consumers upon New York farmers for adequate supplies of food; the dependence of farmers on consumers for a market for their products;

and the dependence of both upon business and industry to provide jobs at good wages for the large nonfarm population. Farmers in turn provide an important market for the products of business and industry.

This interdependence is frequently overlooked by farmers, workers, and businessmen who tend to think in terms of their own immediate problems and interests. If, however, the State and Nation are going to accomplish the difficult task of reconversion at the end of the war and raise the American standard of living to the levels that our all-out war effort has demonstrated to be possible, we must not forget that each group is dependent upon the others. While various groups and industries have different problems, and while such problems must be dealt with individually, they must be handled in such a way that all parts of the economy move forward together and not one at the expense of another.

Looking forward to the post-war period, the food commission believes that the State of New York should set up certain long-time objectives and work toward them, including the objective of making it possible for everyone to have a good diet and of placing its food-producing, processing, transportation, and distribution industries on an economically sound basis.

After careful study and consideration of the many problems involved, the commission recommends the following program which it believes will enable the people of the State to make real progress toward this objective.

1. *Bring all the resources of the State to bear upon the basic problem of maintaining employment and income for the people of the State.*—To the extent that business and industrial activity is maintained at a high level, there are jobs and full pay envelopes to purchase the food necessary for a good diet. To the extent consumers purchase a good diet at fair prices, New York agriculture prospers.

Such problems as prices, employment, and incomes present questions that for the most part must be dealt with on a national basis. In any event, they are outside the scope of the food commission's activities. They are so important, however, to the food and farm situation in New York that it would be unrealistic to ignore them. Furthermore, the food commission believes that the State of New York, through the department of commerce and other State agencies, should continue to do everything possible to create conditions within the State that will contribute to the solution of the problem of maintaining full employment and a high level of industrial and business activity.

2. *Increase efficiency and reduce production costs on New York farms by continuing to actively support research, extension, and other programs to assist farmers in reaching these objectives.*—Between 1870 and 1900, farm production per worker in New York increased by 25 percent. It about doubled between 1900 and 1940. This remarkable increase resulted from improved varieties of crops, improved cultural practices, improved control of insects and diseases, improved breeding of farm animals, improved feeding and management practices, and great improvement in farm machinery. It is important to both the producers and consumers of the State that we continue to increase the efficiency of farm production as a means of increasing net farm incomes and reducing costs to the consumer. Therefore, the State must continue to support research, extension, and other programs to help farmers improve their operations.

No need of agriculture is greater than the development of low-cost many-purpose machinery adapted to the family size farm—particularly machinery which will reduce peak loads during haying and harvest. Machinery manufacturers should be stimulated to actively pursue this objective. Experiments with new types of haying equipment are progressing in New York State. The possibility of developing new and improved machinery for other important farm operations should also be investigated.

Better livestock is important. Much progress has been made in breeding poultry, not only for increased production, but for longer productive life. New York farmers have made great advances in artificial breeding of cattle. In 1944 the State's resources were put behind this program, and a central bull farm and laboratories are now being built. These facilities provide the opportunity and impose the responsibility for rapidly increasing both the average annual production and the productive life of New York dairy cows.

These breeding programs need to be supplemented by increased research on the causes of disease, sterility, and other factors which make for short productive life, including the nutritional aspects involved. Cows in New York herds are retained in production for an average of less than 5 years after they first freshen. Large numbers have to be discarded because of failure to breed, udder troubles, and other causes before the time they have even reached the age of maximum production. They represent a heavy loss. Similarly, one-quarter of New

York's laying hens die before they have been laying eggs for 1 year. Obviously this adds to the cost of eggs.

3. *Get top-quality foods to the consumer more cheaply and conveniently.*—New developments in processing and handling food, including the expansion of quick freezing, are certain in the post-war period. These will have an important influence, particularly on the fruit and vegetable industries of New York State. Much needs to be learned about the best varieties of fruits and vegetables for freezing and the best stage of maturity for harvesting. Information is also needed on processing, distributing, and merchandising frozen products in view of improvements for home storage. It is important that New York's great fruit and vegetable industries not merely keep abreast of developments in food processing and distribution but that they set the pace. Attention must be given to both nutritive values and palatability. New York should maintain its present position in the industry, and it is important that growers, processors, transportation agencies, distributors, and research and regulatory agencies of the State cooperate to this end.

Up-state regional markets have demonstrated their value in the prompt and efficient distribution of perishable farm produce. The New York metropolitan area is still in desperate need of up-to-date facilities that will provide for the efficient handling of perishable products from New York State and other nearby areas, as well as from more distant points. This is a project for immediate post-war attention.

4. Continue to recognize the place of farmer-owned and controlled cooperatives in New York agriculture.

Although the family farm is an efficient production unit, the individual farmer operates under a handicap in both buying and selling because of the small volume of his business. Cooperatives have made important contributions to the prosperity and efficiency of New York agriculture by making possible the economies of large-scale business.

5. *Continue on a permanent basis the State's wartime program to provide consumers, both urban and rural, with better information on how to use available foods to obtain a good diet and provide for research and the training of workers in human nutrition.*—Rapid discoveries about food values and body needs have run ahead of most people's knowledge. Special facilities for spreading this information are the only way it can reach housewives who are trying to feed their families in the best possible way. The wartime program of the food commission has had substantial success in this direction and has met enthusiastic response.

Research should be expanded to speed up the accumulation of the basic scientific knowledge that is still needed to make a post-war food and nutrition program most effective.

6. *Assure the availability, especially for children, of the amounts of milk and other protective foods needed to provide good growth and health.*—Thousands of New York children have not received the amounts of milk and other protective foods they need. Rejections of young men and women by the armed services as unfit for military duty provide evidence on this point.

Considerable experience was obtained in the 1930's with school lunches, penny milk, and a food-stamp plan. These and other approaches to the problem of public aid for better nutrition should be carefully studied as a basis for developing a practical program.

7. *Provide the advantages of modern health, educational and recreational facilities, good roads, and electric service in areas suited to farming and rural residential use.—Resume State purchase and reforestation of land not suited to either of these uses.*—About two-thirds of up-state New York, outside the Adirondack and Catskill parks, is suited to farming. One-third is not suited to farming under any foreseeable conditions, although areas located close to employment opportunities may be used for residential purposes.

It is important that schools, roads, electricity, health, and recreational facilities be made available in all productive areas, as well as in areas suited to rural residential use. It is equally important that nonagricultural land be reforested or developed for recreation in order to put it to productive use and save people the calamity of trying to farm against hopeless odds.

Since an inventory of the State's land resources and studies of economic factors affecting their use is basic to the development of a sound land-use program, it is recommended that soil surveys and land classification surveys be completed for each of the State's 55 agricultural counties.

It is also recommended that the State reforestation program provided for in the constitution under the Hewitt amendment, and abandoned early in the depression, be resumed. The 1945 conservation department appropriation should

provide for growing seedling trees in preparation for planting when labor becomes available.

8. *Give strong support to the recently established program of advising and helping ex-servicemen and war workers who desire to locate in the rural areas of New York State.*—New York has already made an excellent start in setting up facilities to assist ex-service men and women to get reestablished after the war. At the last session of the legislature the New York State Veterans' Commission was created. Representatives of the veterans' commission, together with representatives of the Extension Service and public and private agencies, are working with the county agricultural defense committees of the State in establishing an advisory service in each county for persons returning from the armed services and war industries who wish to farm or live in the country. The county agent in each county is supplying general information relative to agricultural opportunities. Experienced farmers in each community are advising ex-servicemen who want to buy farms. This is important, particularly in those parts of the State where there is land unsuited to farming.

In many instances a major problem will be to help persons seeking advice to make up their minds as to whether they should farm for a living, operate a part-time farm, or move to the country at all. Having reached a decision on this important point, the next problem is to assist them in finding properties suited to their needs. There are many kinds of rural properties in New York State. Some are suited to farming; some are not. Some are suited to rural residential use or part-time farming; others are not. Mistakes in selecting and financing a farm or rural home are one of the most frequent causes of failure. Every effort should be made to help returning servicemen and war workers avoid mistakes.

Under date of May 18, 1945, Dr. Myers made the following comment:

Steady progress is being made in carrying forward the program in this State that was outlined for your committee in the statement which I included in your record. When war demands for food decline, it seems to me that greatly increased emphasis should be placed on improving the diet of the people of the United States as a means of promoting their health and as a constructive solution of the problems of so-called agricultural surpluses.

EXHIBIT 2

STATEMENT

(By Donald R. Murphy, editor, Wallaces' Farmer and Iowa Homestead)

Any post-war program for agriculture must be based on a dozen factors. Our experience in the past 15 years has made it clear that there are no one-shot cures for agricultural ills. Some of us used to think that the McNary-Haugen plan, or the domestic-allotment plan, or the Agricultural Adjustment Agency, or commodity loans or subsidized consumption or monetary control would by itself do the work.

We know now that post-war planning for agriculture is like fighting a war. Infantry alone won't win it; artillery alone won't win it; air forces alone won't win it; naval forces alone won't win it. It takes a dozen units, dovetailed and cooperating, to win a war or a peace.

So now when I invite the attention of your committee to the need of plans for subsidized consumption, I am very far from claiming that this alone will take care of agriculture's future. In fact, farm income is bound to suffer unless we have, besides subsidized consumption, a reasonable degree of employment, high industrial production, large pay rolls, adjustment of agricultural production to whittle down on products wanted badly now but not needed in post-war, forward pricing, tenancy programs, and plenty more.

Since a full report of all possibilities would exceed your time and patience and my abilities, I am suggesting that one item—subsidized consumption—should have a place in the post-war program, and am limiting my discussion to this one point.

Your committee does not need to be reminded of the fact that a sizable percentage of the Nation's people is habitually undernourished. Even in 1942, under war incomes, H. R. Tolley, Chief of the Bureau of Agricultural Economics, found

that 8.5 percent of the families and individuals in the United States had incomes of less than \$500 and 24.6 percent had incomes of less than \$1,000. Families with annual incomes below \$500 spent only \$77.80 per person on food. Families with incomes between \$500 and \$1,000 spent only \$104.27 on food. These sums indicate a dietary deficiency of about 50 percent in these groups.

We have, therefore, even in unusually prosperous times a substantial portion of the population which is undernourished. National deficiencies in health, working power, and the like come from this fact. Our draft figures rub in the point that many of our people do not eat enough of the protective foods.

From the standpoint of the national welfare, and of long-time national income, this undernourishment with its consequent effects on poor health and vitality deserves consideration. But what does this have to do with farm income?

It is a fortunate fact that \$200,000,000—the amount spent for subsidized consumption in 1941—raises farm income at the same time that it relieves distress among the undernourished. Estimates on the effect vary. Probably the food-stamp program adds to farm income 75 percent of the total amount spent; the school-lunch program may add 100 percent or more of the total to farm income. It is safe to figure that not less than 50 percent of the total spent for food goes back to farmers under almost any circumstances. The rise in prices associated with the additional demand for food might cause an expenditure of a million dollars in a critical food situation to bring about a rise in price that would return several millions to farmers.

Fortunately we have had laboratory experience with the food-stamp plan and the school-lunch plan. Our experience indicates that expansion of the present school-lunch program would yield large returns in public health and farm income. We also know that a revival of the food-stamp plan, even if limited to people certified by local relief agencies, would make a start toward a program that could be of immense value whenever farm supplies begin to press heavily on the market again.

The egg situation now in prospect illustrates the advantages of both the school-lunch and the food-stamp plan. Heavier use of eggs could be directly stimulated, particularly if food stamps were available for eggs, as the cheapest protein source, and not available for more scarce commodities.

The food-stamp plan as we knew it in the pre-war period is not extensive enough for post-war needs, but it offers a start. Your committee may also wish to consider the advisability of extending issuance of food stamps to those drawing unemployment insurance. This might tend to equalize unemployment rates throughout the country. The matter of extending food stamps to those whose annual incomes fall below a certain point should be considered, but the administrative difficulties are great and much experimental work should probably be done by a revived food-stamp agency before permanent legislation takes form.

Subsidized consumption bears also a close relationship to the problem of production adjustment after the war. If wheat, cotton, and pork exports shrink, these farmers will wish to change to new markets. Cotton farmers may wish to produce more pork and milk; wheat men may shift to cattle and sheep; pork men may change, more slightly, into dairy products.

But if these changes take place, we shall have heavy volumes of meat and dairy products to sell on the domestic market. High pay rolls and heavy industrial production will help, but every means of expanding domestic consumption must be used. Subsidized consumption might bring into the market, as heavy food buyers, from 25 to 35 percent of the population which is not likely to buy adequately under ordinary conditions.

What about costs? These depend on the extent of the programs, of course. So far, we have kept subsidized consumption costs under \$300,000,000 a year. In the long run, these costs should be carefully balanced against the costs of meeting in other ways the problem of undernourishment and the problem of farm income. Some very careful economic analysis is required.

Fortunately, the United States does not have to plunge in over its head on these plans at this time. We still have some months to experiment and expand before the great needs of the post-war period appear. Expansion of the already functioning school-lunch program is possible at once; revival of the food-stamp plan, with minor improvements, could be handled at once. With these plans going, careful work could be done to see how they could be expanded profitably as unemployment makes the problem of undernourishment more acute and as the drying up of farm exports makes the problem of farm income more critical.

EXHIBIT 3

(Submitted by Mr. John Brandt)

A PLAN FOR PRICE, SURPLUS, AND PRODUCTION CONTROL FOR FARM PRODUCTS

SURPLUS CONTROL

The chart opposite illustrates the operation of a surplus control pool as applied to a number of major farm crops. The plan as presented in the foregoing chart recognizes the acre as the productive unit and recognizes the principles of market control, as demonstrated by the operation of the market-control program on the part of the Land O'Lakes Creameries during the months of August, September, and October of 1933. Only, instead of representing an operation on a single commodity, it is designed to be effective on all major farm products and establishes a minimum fixed price for these basic commodities, permitting relative price levels over and above minimum prices to determine the trend of individual production. America is more self-contained than any other nation of the world and, if a plan of this kind is put into effect, it definitely places itself in a position where it solves one of the major problems of advanced civilization.

The plan as illustrated by the foregoing chart has for its purpose the adjustment of production to effective demand. This adjustment of production would provide for all consumptive requirements of every kind and nature, not only for the present but for the possibility of future development within the borders of the United States. In addition, it provides for a reasonable share of foreign markets that can be developed under an aggressive and stimulated sales development program that will promote both individual initiative and governmental assistance in the development of these markets.

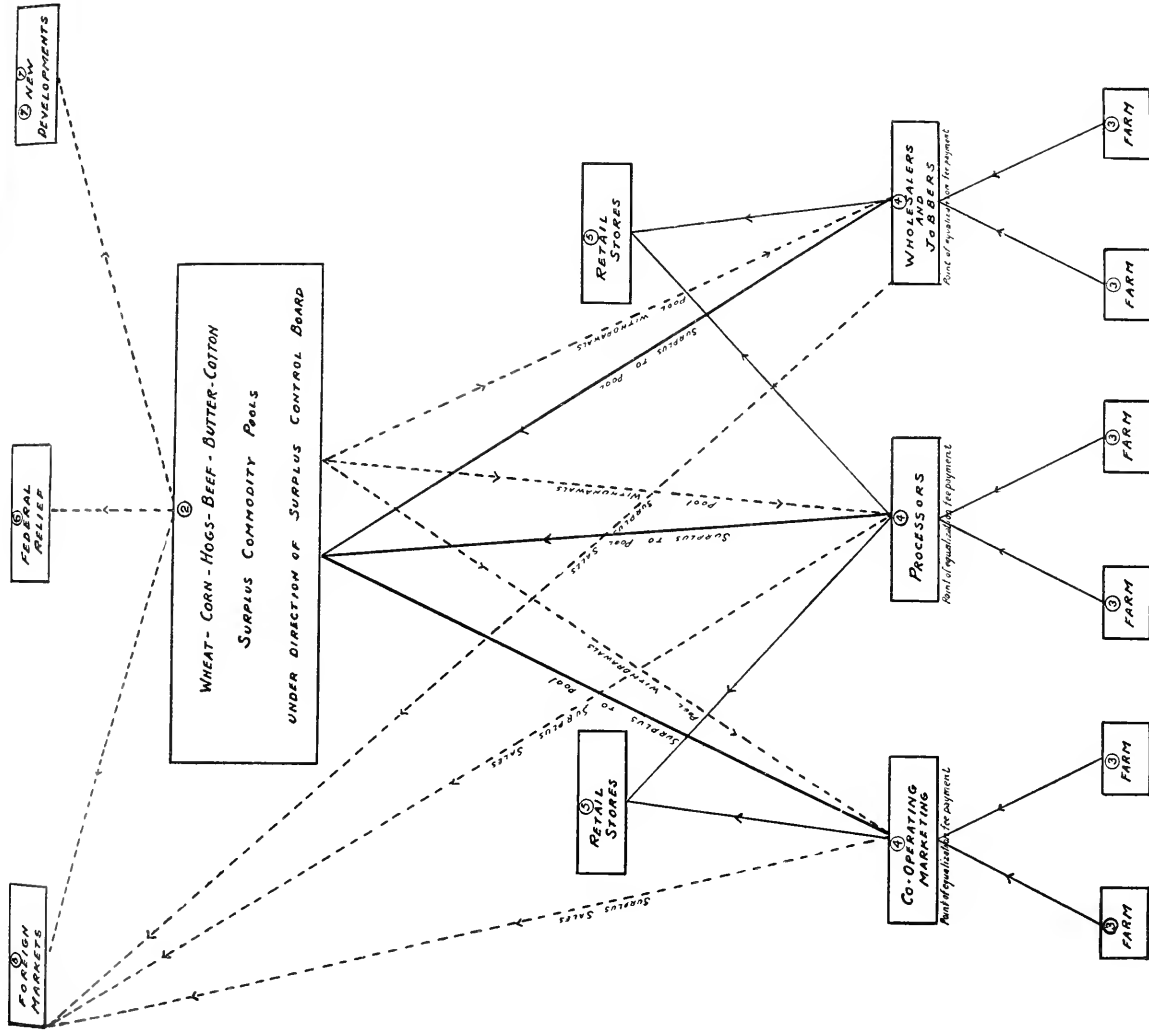
The plan also includes a minimum fixed price as a market quotation for all major crops which would of necessity require tariff protection or embargo of such crops to the extent of at least insuring against imports at a price below the fixed minimum price. It also provides for a compensating tax or assessment fee on all products that are, without question, substitutes for major crops.

Figure No. 1 on the chart represents the first step in production control, which is the withdrawal of marginal and submarginal lands, same to be returned to the public domain through government purchase and remain as government property until needed at some future date when the requirement for production has increased. The flexibility and seasonal production control will be explained later as we come to this part of the chart.

Figure No. 2.—The next step is the creation of a Federal surplus commodity pool directed by a Surplus Control Board financed by a billion dollar Federal appropriation as a revolving fund to carry on its operations through which a minimum price on major farm products will be established. This pool will at all times stand in readiness to receive any quantity delivered to it at a definite fixed minimum price, the basis of which shall be determined in relation to 1926 or pre-war purchasing power parity. The method of replenishing the revolving fund, the control of expansion or contraction of the surplus pool, and the movement in and out, as well as the method of preventing commercial organizations from using the surplus pool operation as a convenient carrier of its seasonal surpluses, will follow in the explanation of other figures on the chart.

Figure No. 3 represents the individual farm operation, and the economic operation of these farms shall not be interfered with from the standpoint of Federal-planned operation as to the kind and character of its production, the trend of production to be governed entirely by relative price levels rather than through individual control. The recognition of the acre as a productive unit shall be the controlling factor in the production control program for the individual farmer.

Figure No. 4.—Production from these farms will pass through existing commercial channels as provided for in figure No. 4. A minimum equalization fee to be established by the Surplus Control Board, which minimum fee shall be an equal percentage basis on the fixed minimum surplus pool price of all major crops marketed through these channels. Merely as an illustration, this minimum fee might be placed at 5 percent of the gross market value. This fee to be collected at the first point of delivery from the farm and the entire proceeds to become the replenishment fund of the billion-dollar fund created for operation of the surplus commodity pool.



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MARGINAL AND SUBMARGINAL LANDS
TO BE WITHDRAWN BY GOVERNMENT PURCHASE
AND RETURNED TO PUBLIC DOMAIN

Figure No. 5.—The normal merchandising and commercial operations of cooperatives, processors, wholesalers and jobbers through regular retail channels illustrates figure No. 5, as shown by the arrow on the black lines leading from figures Nos. 4 to 5, will not in any way be altered or interfered with, and in order that these normal commercial operations shall be carried on at price levels above the fixed minimum price, it shall be provided that at any time any distributor represented in figure No. 4 so desires, he may transmit any surplus over and above his normal merchandising requirements into the Surplus Commodity pool. Note line designated "Surplus" as the route to follow.

We have now reached the point where production from the farm has supplied all normal commercial activities and at wholesale market prices at or above the fixed minimum price provided for as the products are delivered into the surplus commodity pool, figure No. 2. The surplus commodity pool has four channels of withdrawal.

Figure No. 6.—Federal relief, which is a direct surplus pool operation.

Figure No. 7.—New developments, figure No. 7, also direct withdrawal from the surplus commodity pool.

Figure No. 8.—Sales to foreign markets. Return to domestic consumptive channels, figure No. 5. In order that there shall be the least possible interference with general commercial activities and that every stimulant shall be given to private initiative in the development of foreign markets, figure No. 8, the withdrawals from the surplus commodity pool shall so far as practical be conducted through existing commercial channels. There is also every possibility that through miscalculation as to domestic requirements, farm products originally delivered to the pool may of necessity need to be withdrawn for sale in the domestic markets. This withdrawal shall also be carried on through existing commercial channels, but in order that initial handlers, processors, and merchandisers of farm products shall be prevented from using the surplus pool as the medium through which seasonal surpluses will be carried, the plan will provide that all withdrawals from this pool for home consumption must be made at a price that represents the minimum fixed price at which the commodity went into the pool, plus carrying charges, plus 10 percent. Under this provision all handlers of farm products will without question estimate their domestic requirements and will at all times carry the seasonal surpluses needed in their merchandising operation during low production seasons as the withdrawal penalty would be sufficient to discourage any attempt to force the surplus pool to carry the seasonal surpluses. It is also conceivable that even under most favorable operating conditions some farm products would find their way into this surplus pool that were needed for domestic consumption and would have to be returned from the pool into domestic markets and the 10 percent profit to the pool would assist in replenishing the revolving fund.

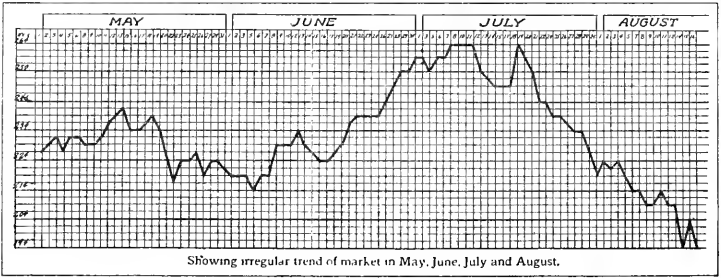
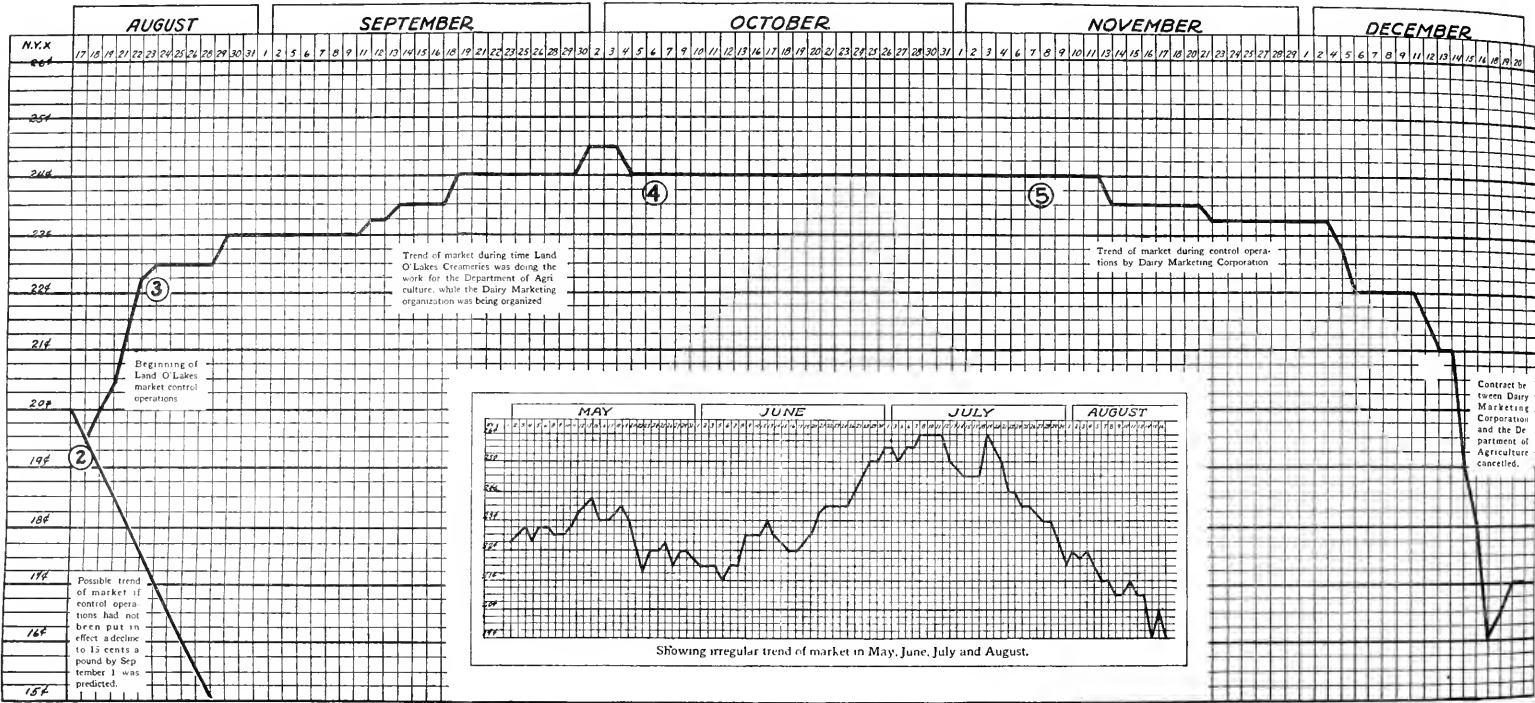
Foreign markets.—We have now provided for all home requirements. The next step is the determination on the part of the surplus control board as to whether surplus of any of the individual commodities designated as major crops over and above the requirement for domestic consumption exists. Such determination to be made upon the combined holdings of the surplus pool and visible supplies in warehouses and on farms, and if in their judgment there is a surplus over and above domestic requirements, they shall permit withdrawals from the surplus-pool holdings for sale into foreign markets. In order to develop these markets so far as possible through existing commercial channels, sales to foreign countries will be made at the market price in the country in which the sale is made. If such a price is lower than the fixed minimum price at which the commodity was taken into the surplus commodity pool, upon the presentation of documents in evidence of a bona fide sale at prices that in the judgment of the members of the surplus control board represent the fair foreign value, commercial organizations may withdraw such products for sale in the foreign markets at the price at which the sale was made, minus transportation costs and a fixed commission to such commercial organization having made the sale. A reasonable commission is provided for in order to encourage this activity. If, for any reason, in the judgment of the board there is further necessity for development of foreign markets, the board may at its discretion make direct sales into such markets. Losses sustained through sales in foreign markets at prices lower than the minimum surplus pool commodity price, sales to Federal relief and new developments shall be made up through equalization fee collected at point of first sale, figure No. 4. Compensating tax or fee collected on products designated as substitutes by the control board shall also become part of the surplus pool revolving fund.

Control of production.—In order to guard against unlimited expansion of surpluses held by the Surplus Commodity pool, production must necessarily be controlled through withdrawal of acreage which, under any circumstance, is the productive unit, so as to provide a proper balance between production and effective demand. The definition of effective demand being home market to the full extent of the possibilities of its development, plus a reasonable share of foreign markets to the extent of its development under a stimulated and aggressive sales program. Any production beyond these limitations is foolish and will only result in disaster and the destruction of any minimum price control program that can be devised. The long-term balanced production program is to be largely accomplished through the withdrawal of marginal and submarginal lands, figure No. 1. This method will, of course, involve problems of replacement of present population on this land which are not insurmountable but makes this method one of a long-time nature rather than immediately effective, but in the long run can be carried out to the extent of largely balancing production to effective demand.

Withdrawal of land.—To meet the immediate emergency and conditions over which the human race has no control, in seasonal variations in the productivity of normal farming operations, it and when in the judgment of the Surplus Control Board the holdings in the surplus pool are in excess of necessary carry-overs so as to definitely insure consumers against shortage in domestic requirements and for the supply of fully and completely developed markets, the Surplus Control Board shall withdraw through voluntary rental on the part of the farmer, either by renting a percentage of the cultivated land of each farmer or by rental of a sufficient number of farms in a community which will equal the amount of withdrawal requirement. Rentals paid shall be a fair rental value, same to be paid out of equalization fee funds, and shall bear a direct relationship in percentage of withdrawal, as the percentage of expansion of holdings in the Surplus Commodity pool over and above the estimated inventory requirements of the surplus pool shall bear to the entire effective demand. If, for example, according to the estimates of the Surplus Control Board, there is a possible expansion of 25 percent in the holdings of the pool, such increases to be based on the average holdings and not on the individual commodity, it is perfectly conceivable that the surplus pool may not have any holdings of some particular commodity, and yet the expansion of the pool would be the full 25 percent in weighted averages, the Board would require a withdrawal in percentage of cultivated land in an amount equal to the percentage that the 25 percent estimated surplus pool holdings bear to the entire requirement of effective demand outlets which, for example, might require a 5 percent withdrawal of cultivated lands. Each year prior to the new crop planting season which should be sometime about September 1, because winter wheat planting starts at that time, the Surplus Control Board through statistics available from the Department of Agriculture of seasonal carry-over and current production and estimated consumptive demand, could very easily make a reasonably accurate estimate of the possible expansion or contraction of the Surplus Commodity pool. It is quite possible that under the marginal land withdrawal program and with the Federal relief and new developments, plus full development of foreign markets, that after a few years, only under exceptional circumstances following a highly productive year, would it be necessary to withdraw any of the regular farming land from cultivation, and at no time would this percentage need to be very large.

Equalization fee.—The equalization fee shall be levied at the first point of sale or processing and the basic rate shall be ratably applied to every commodity except if in the judgment of the pool management it shall become necessary to have the fee higher in the case of certain commodities where the surplus of such commodity in the pool exceeds the weighted average of the estimated surplus pool holding requirements. In such cases the equalization fee of such commodities shall be higher in proportion as the surplus of the commodity bears to the weighted average of all commodities in the pool.

Additional withdrawal powers.—In order to further protect against a possible expansion in certain individual commodities that may not react to the full extent to the differential in price levels, the production of which will cause too great an expansion in surplus pool holdings, the management shall have the additional authority to require sectional or regional withdrawals of cultivated lands in excess of the average percentage. The additional requirement as to percentage of equalization fee assessed against all major commodities whether contributing to the surplus pool or not, and the sectional or regional requirement of an additional percentage of land withdrawal shall always bear a relationship in additional percentage requirement as does the expansion of the holdings of the individual



commodity bear to the weighted averages of the pool in excess of estimated pool inventory requirements.

Explanation of weighted averages and differentials in amount of equalization fee assessment over and above basic assessment and differentials in sectional and regional land withdrawals.—Inasmuch as the minimum equalization fee which is paid at point of delivery and a definite price at which the major crop products are taken into the surplus pool are fixed, the weighted average shall be considered in terms of dollars and cents rather than on a basis of quantities, and whenever in the judgment of the Board, the holdings in the surplus pool plus the estimated seasonal movements into this pool are in excess of the amounts that can be financed from the estimated income, as provided for from the basic equalization-fee assessment, they shall determine which of the major crops in the pool have contributed to the surplus carry-over in excess of this weighted average. The variation in both equalization fee and land withdrawal over and above the fixed minimum shall be determined on a basis of the excess above this weighted average contributed by the individual commodity within the pool or available for delivery to the pool.

EXPLANATION OF ACTUAL MARKET CONTROL OPERATIONS ON BUTTER

The charts opposite are reproduced for the sole purpose of illustrating the effects of the operation of a surplus holding pool on the butter market as advocated by the Land O'Lakes Creameries, such as was put into effect for a period of 11 weeks by the association in 1933.

1. Shows a very erratic and highly speculative market, which always prevails in the butter market even under most favorable conditions. A chart illustrating the trend of the butter market for any 3 or 4 months' time since we have known anything about markets would show the same condition, except that on many occasions an even more erratic fluctuation would be in evidence.

2. This line shows the possible trend of the market on the middle of August 1933. Butter dealers were generally of the opinion that the market would take the full swing down, as indicated by this line.

3. It was at this point that the Land O'Lakes Creameries started its program of market control through the operation of a surplus holding pool, and it will be noted the market took an immediate advance to the point at which the pool operations were intended to control the price and remained there without a change, with the exception of a 2-day period on the last of September and the first of October, at which time an attempt was made to bull the market in order to take away the control on the part of the pool operation. It was at this point that the holdings in the pool were used to straighten out the line by reselling from the pool into commercial channels.

4 to 5. Illustrates the actual control of the market once the operation was fully in effect. It was during this period that, even with a surplus of 185,000,000 pounds of butter in storage and production still increasing, we had a full demonstration of what a holding pool can do to eliminate price declines during a period of temporary and seasonal surpluses.

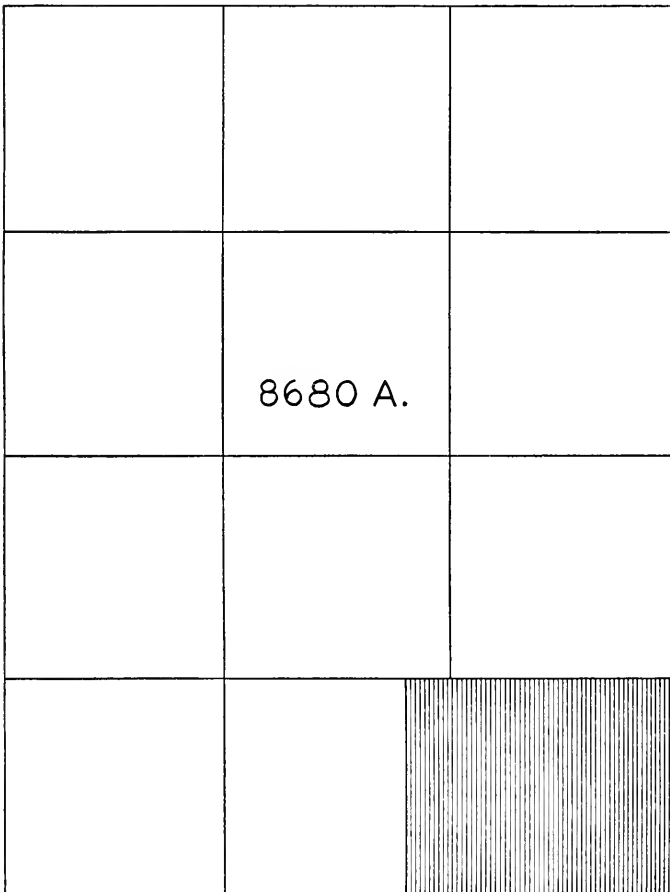
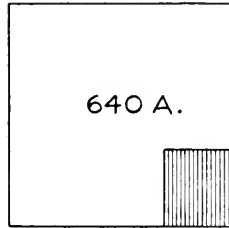
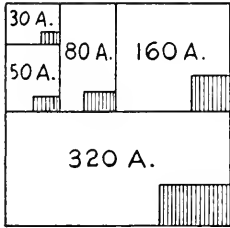
This pool operation did not in any way interfere with commercial operations except to eliminate speculation and speculative profits. It merely offered a market outlet for butter at a set price, which governed the entire price level for the period in which the pool was in operation. The interesting part of this pool operation was the development of the fact that, even though surpluses seemed to exist during the late summer and fall months, there was no carry-over the following May, which is the new season for butter production.

5. Indicates what actually took place with respect to market declines under the pressure of heavy storage holdings as soon as the Land O'Lakes market operations were discontinued. These operations were discontinued on November 13, 1933. Some attempt through Government operation, to maintain the market was carried on for 2 or 3 weeks and then abandoned entirely.

The market as indicated by the price line on the chart shows that the previous prediction, as illustrated on the line (fig. 2), actually came true and from that day on, if we had a chart of price lines, we would find the most erratic market anyone could conceive of in the operation for the balance of the year of 1933 and up to the beginning of the new season of production, which was May 1 in 1934. Since that time the markets have continued their wild and erratic price ranges and will continue to do so, so long as surpluses, shortages, and influences of speculators and gamblers are permitted to rule the produce markets of America.

What Land O'Lakes did for the butter industry in 1933 for a short period can be done, with Government assistance, for all major farm crops of America if the

principles of the surplus holding pool, as operated by the Land O'Lakes Creameries, were put into effect, without in any way interfering with commercial business operations, except as previously stated it would effectively eliminate speculation in food products which is to the detriment of both producer and consumer.



Removal of
Acreage
from
Production.

EXPLANATION OF PRINCIPLES OF PRODUCTION CONTROL THROUGH WITHDRAWAL OF ACREAGE FROM PRODUCTION OF HARVESTED CROPS

The problem of production control is one that lends itself to a wide variation of ideas as to how it should be accomplished. There is the one broad principle of withdrawal of marginal lands through acquisition on the part of the Federal Government, which is generally agreed upon by the public as reasonably sound but which, of necessity, is a program of long-term operation and can never entirely solve the seasonal crop fluctuation problem.

Temporary, effective, and speedy methods must be designed for this purpose. Crop switching can hardly be considered production control, as it may benefit one crop to the disadvantage of another. Therefore, an economic method, easy of administration and low in cost, should be designed to withdraw the land from actual production of harvested crops when production control is needed. Under the program so far advanced, criticism with some justification has been directed against the large checks that range from \$10,000 to \$100,000 paid to individuals for their participation in crop-control and soil-conservation programs. In some instances these checks for percentage withdrawal or compliance agreement have been almost equal to the entire rental value of the farm affected.

The chart on page 1698 is an illustration of a 10-percent withdrawal or compliance program applied to farms ranging from 30 acres to 8,680 acres. From this chart it is plain to be seen that the small farmer with his complete unit of operating machinery and with the possibility of no requirement of hiring outside help would be unwilling to withdraw or follow some governmental set plan unless the remuneration in the way of benefit payments or acreage rental is sufficiently high to make it worth his while. In order to get the little farmer to go along with the plan it becomes necessary to set these benefit payments so high that they are thrown completely out of line with respect to the large ranch. Intensity of cultivation, diversification of operation, and land values of large farms and ranches are seldom, if ever, on a par with the small, one-family or one-man-operated farm.

Furthermore, in the matter of soil conservation and weed control there is greater need and opportunity for effective service of this kind to the large farmer. Therefore, if production is to be effectively controlled at the lowest possible cost, it should be accomplished through land withdrawal from actual harvested crops and on a basis of the lowest bidder for compliance to regulations in the communities or territories to be affected. In other words, if the holdings of the surplus pool were sufficient to insure against the hazards of reasonable possibility of crop failure in the coming years and it was felt necessary that a 10-percent reduction in acreage would give the necessary balance, this withdrawal should be made under specific rules and regulations as to how the land so withdrawn shall be treated in the way of cultivation, weed control, and soil building, and compliance benefits awarded to the lowest bidder for actual land retirement from crop production in given communities which could well be laid out in township or county units.

Therefore, instead of the small withdrawal from each farm, as illustrated in the chart, it would be reasonable to expect that all acreage withdrawal should come from the larger farm units at a cost that would only be a fraction of the amount required where each individual farmer, regardless of the size of his farm, participates. Furthermore, the cost of administration would be much less, as it would be much easier to measure out a few large tracts of land to be withdrawn and to supervise compliance than it is to measure up every farm in a community two or three times each year, as is now in effect, and which still leaves considerable doubt as to equitable benefit payments, honesty of compliance, and effectiveness of the program.

EXHIBIT 4

(Supplementary statement by Paul Darrow)

In the depression of the last decade the farmers were particularly hard hit, but it should be remembered that this depression of the thirties did not arise solely from the destruction of war but from the economic disturbance which necessarily follows a change in the position of a country from a debtor to a creditor. As a debtor since this country was settled there was an almost insatiable demand from our creditors for the products of American labor. Practically speaking, a debtor nation can pay on its indebtedness only with the products of its labor.

In consequence, exports are made in excess of imports. As a result of the First World War we became a creditor nation.

The idea of thrift and industry was ingrained in the American people for only by producing more than we consume could our debts to the world be paid. As a creditor nation the position is changed. If we collect debts from those who owe us, these debts can be paid only in the products of their labor. Of course there will be some payments in gold and property but, generally speaking, balances in international trade are paid in goods which are the products of human labor.

In addition to a depression which is usually expected following war, we faced the situation of losing our export markets after 1918 and of being forced to consume large quantities of goods produced by foreign labor. We made the mistake of raising tariffs in the Hawley-Smoot tariff bill which made it still more difficult for foreign nations to pay. In order to jump the Hawley-Smoot tariff wall, foreign currencies were depreciated. Again we made the mistake of depreciating our own money to compete with the world. These are recent instances of attempts to interfere with economic law. Goods, like people, should be allowed to move freely across the face of the globe. Interference with this free movement is one important cause of war. As a creditor nation we must accept foreign goods for consumption within the United States. Of course, we will export many things which we can produce cheaper than foreign countries.

Many times the statement has been made that foreign trade is of little consequence to the United States because it never amounted to more than 10 percent of our production. If this is true, our domestic consumption was 90 percent of our production. The figures are not important. They are used only as an illustration, but if we assume that as a creditor nation we must import 10 percent it means that we must consume in this country the 10 percent we formerly exported plus the 10 percent we now import which results in a consumptive necessity of 110 percent of our pre-war production. That means we must consume almost one-quarter more than we did formerly. If we do this, we are fulfilling our world obligation as a consumer. If we fail to do this, we are not fulfilling our world obligation, and we are making it more difficult for the peoples of foreign countries to exist—another cause for war.

We attempted to solve this problem by asking for gold in payment of balances. The foreign holdings of gold were soon exhausted. Foreign nations had confidence in gold, and fear entered their minds as it did ours at the thought of suspending gold payments. To take gold from people who would prefer to give labor is another important cause of war.

It is evident the first requirement for this country is not more production but more consumption. We must consume more than our domestic production. We will have more people out of jobs than ever before if we fulfill this world obligation. The requirement is not more jobs in production. It is either more jobs that are not productive like a larger Army and Navy or more people in the leisure group who consume but do not produce. Captain John Smith said in Jamestown, Va., that those who did not work could not eat. He was expressing the requirement of a pioneer debtor group which had been grubstaked by England. They were forced to work long hours for the bare necessities because labor-saving devices had not been developed. The philosophy of Benjamin Franklin was necessary for a debtor nation—work and save; thrift and industry. Until about 1900 it was not considered respectable even for the rich to live without productive work. The children of the rich were admired and respected if they went to work in the plant or shop. If they did no work or married into foreign families who did not work, they were not considered good citizens and were made the butt of jokes and cartoons. From about 1900 on, as we got closer to a creditor position, it became respectable for the wealthy to join the leisure group and today we further discourage the rich from productive work as a result of the capital gains tax and burdensome Government controls. The industrially competent are afraid to engage in enterprise. If the enterprise results in a loss, it frequently endangers their wealth; if it results in a profit, most of it goes to the Government. The innumerable laws to control business, including voluminous reports, wages-and-hours laws, etc., make it almost impossible for a person in business to operate and feel sure he is obeying the law.

The extension of the schooling period is another indication of society's need for consumers and not producers. Again it is only the rich who can go to school until they are 25 or more. The poor quit school. Again I say it is not more jobs we need but more consumers. If all domestic production plus imports is consumed each year, there will be jobs for all but there cannot be jobs for all unless there is a demand for supplies which do not exist. If this should ever come, we might be

interested in jobs for the rich as well as the poor, but at present no one thinks of putting rich people to work. It is only the poor who are encouraged and forced to go to work. It is of little real importance whether the income of the United States shall be \$100,000,000,000 a year or \$200,000,000,000 a year. Only if goods are consumed can an orderly society be preserved. If too many people have too large a claim on production and then do not use it, depression follows. Depressions never come when there is a demand for more goods than are in existence. The farmers should realize this; Congress should realize it, for only by increasing consumption and forgetting about production can the problem be solved. Production will follow if there is an unsatisfied demand for goods.

Until the New World was discovered, Europe produced its own foodstuffs. The farmers of England, France, and Germany had a demand for all they could produce. With the development of the New World, European farmers were hit harder than other groups because foodstuffs from the New World could be sold at prices lower than their home production. Of course, the farmers of England did not enjoy the thought that they were going to be forced out of production nor did the farmers of other countries. They could have established a tariff on foodstuffs, but since there were more consumers than producers the consumers believed they should not pay a higher price just to keep English farmers working. So economic law operated and a large part of the food of Europe was produced in the New World. It is cruel to say that men must accept the verdict of economic law, but it is foolish to say they should not.

Now another new world has been developed and the farmers of America are in the same position as were the farmers of Europe a hundred years ago. South America, Australia, New Zealand can all produce foodstuffs cheaper than we. As a result, we will eat foodstuffs produced outside of the United States and tariff laws should not prevent it. If it is attempted, it will be one more cause for war.

The high-cost producer is always eliminated. Of course, the farmers have some protection. Foreign countries are far away and a long water haul is necessary. With the exception of the people who live on the seaboard a haul by railroads is necessary to get foodstuffs into consumption. All of this will allow the farmers of the United States a higher price than the farmers of Argentina or Australia, but, aside from this, we might say "geographic tariff," the American farmer must compete with the world. This is nothing new for him. Even under our tariff system, the farmer always sold his grain in a world market. The price of wheat at Liverpool governed the price in Chicago, so the farmer will not be materially worse off by realizing that he cannot be protected. With the two price systems in existence today he temporarily receives more, but there is no logic behind a two-price system and our high domestic price and lower export price will lose the friendship of the world. We thought it unfair competition for Germany to give a bonus or a bounty on exports of manufactured goods, and it made Americans angry to be forced to compete with this practice. We have done the same with foodstuffs and now have the ill will and enmity of the Argentine and other South American countries. We were able to lessen this enmity in some countries by making loans and giving lend-lease material, but we have not been able to buy Argentina's friendship because our injury to Argentina is greater than our injury to the other countries.

The hope for the American farmer is the American market. It is probable that the food consumption of the United States could be increased 20 percent or more. There are probably 30 or 40 percent of the American people who do not consume as much food as they would like because of insufficient income. There is no way of proving this or of establishing a percentage, but it is safe to say if food was free the consumption would be several times as large. The farmer is entitled to economic security, but to no greater extent than the city worker or the idle in the city or in the country. At present the idle consume much less than they would like to consume. Some of the idle, of course, are rich, but most of them are poor. There is no possibility of extra consumption among the rich, but there are so many poor that anything that can be done to increase their consumptive ability will greatly increase the demand for farm products as well as manufactures.

We should recognize that the poor are dangerous to a society based on private ownership. Contracts mean little to the poor. Treaties mean little to nations that are poor. Only the rich believe in the sanctity of treaties and contracts.

There is only one way to solve the problem of unemployment—the problem of the poor—and assure a stable society. If the fear of want is eliminated, there would be no need for uneconomic child labor laws, wages and hours laws, union security, etc. If a man is not forced to work through fear of starvation, he will be

interested in preserving the form of government that furnishes him this economic security. No man whose stomach is full is a menace to existing government. Since we do not need increased consumption, the simplest solution is to furnish an unemployment wage or income to these not gainfully employed. This income can be large, in which case too many people will be taken out of production, or it can be so small it will have little effect. We have spent probably \$5,000,000,000 a year in the last 10 or more years to solve the problem of the poor by "make-work" projects and we are still floundering around for a solution. So long as there is plenty, a person should be assured of a nominal amount which should cover the reasonable requirements of food, clothing, lodging, and a picture show once a week. It is impossible to determine exactly what this amount should be, but certainly a person by committing a crime and going to the penitentiary can get food, clothing, steam-heated lodging with inside plumbing, and see a football game in the fall and baseball game in the spring and picture show once a week and medical service. In Illinois this costs about \$25 a month per head.

As an arbitrary figure I would suggest an unemployment wage of \$20 a month for each adult plus \$10 a month for each dependent child. On this basis a family of four would receive \$60 a month, but basing it on adults alone \$20 a month could be given to 20,000,000 people for a cost of \$5,000,000,000 a year. This figure would not be high enough to encourage people of proper production age to quit their job. People from 18 to 50 or 60 could not have their wants satisfied for \$20 a month, but to the older people and some of the younger people whose wants are small this amount would probably keep them out of the cutthroat competition for jobs.

In the last 25 or 30 years there have been two periods when wages were high, when there was not cutthroat competition for jobs—the two war periods. In the First World War the armed forces took 5,000,000 men out of production and paid them \$30 a month. They consumed more food than ever before. In this war period we have taken 10 or 15 million people out of production and paid them \$50 a month and again they are good consumers. Unfortunately they are the people whose wants are large—who would prefer a home and family. We can do the same thing in peacetime—put those of proper production age into a non-productive army so big there will be a demand for all of everything that can be produced. We would have the benefit under a peacetime army that the soldiers would not be taught to kill and hate to the same extent as now, but it would be a hardship on those whose wants are large and demoralizing to put them in unproductive occupation simply to solve the problem of unemployment. Sometimes nations geared up to complete preparedness get in trouble while peaceful solutions can be found between nations which are not prepared for war. We can produce this army of unemployed among the rich by our present laws and gradually they will increase in numbers until the poor are forced to work long hours to support them or we can allow the poor who through the ages have never had much chance of enjoyment to have economic security at a reasonable cost. This is the hope for the farmer and for industry and for a peaceful world.

Any attempt to solve the problem of farmers, workers, or the unemployed—whether by Congress or others—should be approached in a spirit of fairness, with no attempt to gain advantage for any group. Only by unselfish, intelligent approach is there any chance of solution.

Private enterprise cannot furnish jobs for all the poor. Government can theoretically provide jobs, but fear of possible Government production will sterilize private initiative, making necessary still more Government work.

Government has no obligation to provide jobs. It does have an obligation to prevent want among its people.

Destroying the production of a nation or giving it away to foreigners can cause unlimited demand for goods and services.

The same unlimited demand can be produced by giving away our production to our own people. Giving away goods is clumsy, expensive, and unsatisfactory. Too much is given that is not wanted.

Giving money is more economical and allows the recipient to satisfy his own wants.

Public housing is really a subsidy to workers—an attempt by Government to make up the deficiency in income at public expense. People do not live in poor houses through preference. They live in so-called substandard dwellings because of insufficient income.

All subsidies to workers have the effect of lowering wages.

The Government effort to raise prices of grain is an instance of an intelligent attempt to solve a problem. Laws forbidding sales at less than a fixed price would have been less effective. Offering to buy all grain at a fixed price resulted

in no one selling for less. This does not mean the idea was correct. It was antisocial in its results, because it increased the price and lessened consumption. It would probably have been more nearly a correct solution to destroy the surplus and save storage costs and spoiling in the end. This, too, is antisocial. The proper solution would be to enable those who wish, to consume more food.

Labor is like any other commodity—when there is a surplus, wages go down; when there is a shortage, wages go up. Laws to provide minimum wages and maximum hours are not only uneconomic; they are senseless. These laws interfere with the freedom we talk about and think we are fighting for and interfere with orderly production.

The simple solution is for Government to employ in nonproductive leisure, at a wage that provides for reasonable necessities, all who are not gainfully employed. If the unemployment wage is high enough, there would be no unemployment—poor people looking for work. If too high, too many people would leave their jobs. The unemployment wage should be given to all with no pauper provision. If some of the rich take advantage, the income tax would get back most of it.

The result—wages to workers higher than if 5,000,000 or 10,000,000 people were looking for jobs—a greater demand for food and all commodities—economic security for poor as well as rich—less pressure to solve the unemployment problem by a peacetime army and less interference with private ownership of property and less urge for Government interference in production.

Remember, the requirement of a creditor nation is consumption in excess of domestic production.

EXHIBIT 5

NONRESTRICTIVE INTERNATIONAL COMMODITY AGREEMENTS

(By J. S. Davis, Food Research Institute, Stanford University, California)

SUMMARY

International economic collaboration is a difficult art in which much more experience needs to be gained by degrees, in a variety of unstandardized ways. Some of these concern specific commodities of international importance over which frictions tend to develop.

International commodity agreements (I. C. A.'s) in the past have mostly been commodity-control agreements, typically restrictive not merely in their devices but also in their net effects on production, trade, and consumption. For an expanding world economy after the war, these are unpromising and even dangerous unless they can be effectively adapted and kept under supervision by an appropriate international agency.

Various types of I. C. A.'s that would not be restrictive in their net effect might well be tried out as concrete forms of international collaboration. The following examples are worthy of consideration.

(1) Conservation agreements, especially to promote replenishment of marine-wildlife resources and their economic exploitation, with a view to enlarging output at reduced costs and eliminating international frictions.

(2) Investigatory agreements, to insure the formulation of genuine solution of world problems of the commodities, including courageous proposals for alterations in national policies that have created or aggravated the problems, or threaten to do so.

(3) Surplus-disposal agreements, to provide for orderly disposition of exceptional commodity surpluses arising from war measures or conditions, past blunders in national policies, and perhaps some other causes.

(4) Buffer-stock agreements, as experiments in the direction of moderating fluctuations in production and prices of certain commodities.

(5) Marketing-opportunity agreements, to assure market outlets for commodities of special importance to liberated and ex-enemy countries.

At best, I. C. A.'s cannot take the place of broader understandings making for larger and freer international trade, and they can make their best contribution in conjunction with international organizations that perform such functions.

Almost all international commodity agreements (ICA's) have contained restrictive features of various kinds. This is not surprising, for an ICA would ordinarily not be formulated or adopted unless there were a consciousness of evils to be corrected: that is, depletion of a natural resource, harmful trade policies, very depressed or violently fluctuating prices, burdensome stocks.

The ICA's that are most widely discussed, or put forward as models for others, have been drawn up to deal with what appears as superabundance, actual or prospective. These bristle with restrictive devices—export quotas and sometimes other export restrictions, often related production controls, sometimes formal regulation of stocks and prescription of minimum and maximum export prices, and sometimes special import quotas or other import restrictions. In practice, such ICA's have in no case solved the problem that gave rise to their adoption. Instead, they have tended to keep it alive and to keep on dealing with it. Unless substantially ineffective, they have typically tended to favor high-cost at the expense of low-cost producers and producing countries, to raise the costs of the actual output, to limit the flow of abundant supplies, and to support prices at uneconomic levels. Few have achieved, if they have sought, the objective of stabilizing prices, except in the perverse sense of opportunistic boosting of prices and resisting their decline. Where successful, in any sense, their net effect has usually been to restrict production, consumption, and trade without removing excessive production capacity or reaching a position in which restrictions can be removed. Whatever the basic intent, the curbing of evils has entailed restriction of the good.

This is now recognized as bad from the standpoint of the world economy, even if welcomed by the direct beneficiaries of the I. C. A. concerned. It is coming to be realized that commodity-control agreements of this kind require adaptations and supervision if they are to be constructively serviceable, and that other types of I. C. A.'s deserve consideration for post-war operation.

If an international agency for supervising I. C. A.'s should be set up, as has come to seem desirable, this might eventually help to secure modifications of restrictive I. C. A.'s in the direction of larger and more efficient production and fuller consumption. Expert consideration of this subject has gone far enough to warrant early efforts at international agreement on principles that should govern I. C. A.'s, the objectives which they should be charged with attaining, and the set-up of an international supervisory agency.

The degree of promise in I. C. A.'s of any type is commonly exaggerated. Failures have been numerous and more must be expected. Efforts to correct recognized defects in past I. C. A.'s, as by enlarging the representation and voting power of importing countries, may prove unavailing or operate so as to prevent desirable action. There are insidious temptations to be overambitious and to over-standardize. Expectations should therefore not be pitched too high or too roseate hopes held out. International collaboration is a difficult art, in which nations have as yet had only limited practice. But more experience needs to be gained, and I. C. A.'s afford reasonable opportunities.

The questions arise: Can nonrestrictive I. C. A.'s be devised? Are there types that, despite some restrictive features, would not be restrictive in their net effect but would really promote expansion of production, consumption, and trade? A few types are suggested below, tentatively called (1) conservation agreements, (2) investigatory agreements, (3) surplus-disposal agreements, (4) buffer-stock agreements, and (5) marketing-opportunity agreements.

(1) *Conservation agreements.*—In the field of marine resources there are two examples of ICA's under which, by appropriate measures determined upon after competent scientific investigations, seriously depleted resources have been substantially replenished, reductions in costs and expansion of output have been facilitated, and related sources of international friction have been largely eliminated. Enough experience has accumulated with fur seals and halibut to point the way to more agreements of this general type, especially with marine resources.

In these two international conservation agreements, restrictions were imposed with the prime objectives of preventing destructive exploitation and promoting enlargement of depleted marine resources, and eventually expansion of output at lower costs; such results have been demonstrably achieved.¹ Experience under international whaling agreements has thus far been less conclusive but amply warrants continued efforts to achieve comparable success in this far more important but more complicated field.² It is more difficult because problems of conservation and recurrent surplus are intertwined and because ambitions of new whaling nations come into conflict with desires of dominant whaling nations to retain their full share of the exploitation.

¹ Jozo Tomasevich, *International Agreements on Conservation of Marine Resources, With Special Reference to the North Pacific* (Food Research Institute Commodity Policy Studies 1, Stanford University, California, March 1943).

² *Ibid.*, pp. 275-288; and Karl Brandt, *Whale Oil: An Economic Analysis* (Food Research Institute Fats and Oil Studies 7, Stanford University, California, June 1940), especially pp. 75, 89-105. Early in 1944 new whaling agreement was signed (Department of State Bulletin, U. S. State Department, June 24, 1944, pp. 592-593).

Conservation agreements, or conservation elements in other ICA's, may be appropriate with respect to commodities other than marine resources.

(2) *Investigatory agreements.*—There is promise in ICA's which have as primary functions merely investigation and recommendation. The first Pacific halibut and sockeye-salmon agreements were of this type.³ There is urgent need of resort to it with much more important commodities.

With wheat, cotton, sugar, coffee, beef, petroleum, tin, rubber, and other commodities of high international importance, the commodity problems are more largely economic and political in character, and the corresponding tasks therefore much more complex. Consequently, questions of set-up and procedure need to be very carefully considered in advance. (See pp. 10–11.) Experience with royal commissions in the British Commonwealth of Nations has pertinence here.

In most of these instances the world commodity problem has been either created or greatly aggravated by unilateral national policies, in some instances also by private companies or combinations proceeding with the open or tacit support of certain national governments. Adverse international consequences have usually been wholly or largely unintentional but nonetheless serious. There is urgent need of responsible and thoroughly competent commodity-policy investigations that would not merely look for provisional solutions of pressing current problems. They should also yield a broad-gage and long-run solution of persistent or recurrent problems of the commodity, with recommendations for needed modifications of national policy to facilitate such solutions, as well as proposals for international machinery to meet the need for continuing and recurrent inquiries and/or relations.

Several commodity councils, committees, and boards, and international advisory committees on wheat (1933–) and cotton (1939–), may seem to have had this opportunity. None has taken appreciable advantage of it, for various reasons, probably chiefly because their attention has been focused on narrower objectives, often the drafting or operation of a restrictive ICA. It is unfortunate that the International Wheat Council, set-up under the interim agreement of 1942, has given little if any emphasis to this kind of work. The same can be said of the Inter-American Coffee Board, set up in 1941.

The British-American Petroleum Agreement of August 8, 1944, was apparently designed in part for this purpose but seemed to critics to open the doors to far-reaching international regulation. It has not yet been approved and is under revision.⁴ The British-Dutch-American Rubber Study Group (1944–) reflects a less formal agreement that might easily evolve into one of this type. The special international study group now being constituted to work on an ICA for cotton might conceivably be evolved to serve this purpose, but it is not specifically so instructed.⁵

What tends to emerge from international commodity conferences is a mere bridge between incompatible national policies, with limited adjustments to their inconsistencies. This is not only unsatisfactory but dangerous. What is clearly to be desired is a revised set of national policies that would be compatible and coordinated in the direction of more economical production, enlarged consumption, less unstable prices, and freer trade. To contribute toward this important end, the study agreement might set up an international body of such composition, and with such instructions and resources that it would be capable of engaging the best experts for the task and facilitating their most effective work. It is also important that it should have the courage and prestige to present expert reports and its own conclusions to the participating nations with such force that they would be taken seriously.

Cotton is the commodity now most in point. Facts about the world cotton situation, up to and including the present and near future, are available in volume greater than ever before; but they are rarely added up and appropriate policy conclusions are seldom drawn.⁶ There is one basic factor. The United States has led the world in pursuing a cotton policy that has proved extremely shortsighted and now threatens serious damage to other countries as well as to the United States. No solution of the world cotton problem is in sight that does not call for radical alterations in United States cotton policy, which are already recognized as important for domestic reasons alone. To attempt to deal with

³ Tomasevich, *op. cit.*, pp. 143–145, 257–262.

⁴ Department of State Bulletin, August 13, 1944, pp. 153–156, and January 14, 1945, pp. 102–103.

⁵ *Ibid.*, April 22, 1945, pp. 772–773.

⁶ *Ibid.* The facts set forth by the International Cotton Advisory Committee at its fourth meeting, on April 14, 1945, conspicuously omit one that is highly pertinent—the impending technological revolution in cotton growing.

the serious consequences of past policies without seeking to bring about a correction of the policies themselves is to court failure. The appropriate policy for the longer run needs to be set forth, as well as the policy and measures appropriate to the transition. If the body responsible for such investigations and recommendations, and the investigators themselves, are too timid or too restricted to permit them to grapple with this task, more time will be lost and nothing will be gained. Our own National Congress should welcome a highly competent international investigation hampered by no such timidity or restraint.

Wool affords another pertinent example. Wartime policies and conditions have led to huge accumulations of wool since 1939, and new artificial fibers offer increasingly important competition. Important elements of a sound solution of the difficult post-war world wool problem lie in the United States. Wool consumption here is relatively low, considering consumer purchasing power, but the United States has long been a reluctant importer. Our high-tariff policy, wartime restrictions on use of imported wool, and their support of domestic prices at high levels have been heavily influenced by the political power of the wool growers. Even in their interest, changes in American wool policy are overdue. No really international investigation of world wool problems has been sufficiently comprehensive in its purview or sufficiently bold in its approach.

Beef also will present problems of importance to the post-war world. What is misleadingly called an International Beef Conference, though essentially a British-dominated import-restriction scheme, was in operation in 1937-39. Its existence need not interfere with the adoption of an investigatory agreement concerned with beef. Among other things, the rankling grievance of Argentine cattle growers over the virtual prohibition of American imports of Argentine beef should be adequately investigated, under conditions assuring scientific and impartial study and report. International beef policy, moreover, needs to be studied in the light of the world beef situation, the overwhelming international purchasing power of the United States, and the special relations of the United Kingdom with Argentina and British beef-exporting dominions.

Some such investigatory agreements might prove sufficient without leading to ICA's of more specific character. Others, however, might lead to more specific ICA's of the other types here discussed.

(3) *Surplus-disposal agreements.*—One special type of ICA would be essentially concerned with orderly liquidation of surplus stocks, such as those held at the end of the war in Europe or later. Sometime after the end of World War I, BAWRA (the British-Australian Wool Realisation Association, Inc.) was set up for this purpose and discharged its task effectively. Similar agencies might soon be used to advantage for wool, cotton, and perhaps some other products. The central objective would be to achieve unified liquidation of surplus stocks at appropriate prices in such manner as to promote consumption and reconstruction without needlessly unsettling the processes of trade. Since these are matters of international concern, the principles to be observed merit international approval. The final accounting should not only be to erstwhile owners of the stocks to be liquidated but to an international agency as well. But the liquidation itself should not be a governmental or intergovernmental task; it should be entrusted to a nongovernmental agency under suitable international supervision.

In contrast with the draft convention for wheat, which contemplates perpetuation of the wheat surplus and "keeping it under control," a surplus-disposal type of ICA might be used to facilitate disposal of other occasional surpluses. Conceivably, indeed, it might be required that all subsidized exports of the commodity be delivered to an international surplus-disposal agency, which would be free to sell at cut prices for certain uses (e. g., denatured wheat for feed) and in certain areas (e. g., those accustomed to eat inferior cereals but preferring wheat). Such an agency, however, should not be an organ of an ICA of the restrictive type, or used merely to serve the price-raising objectives of the past.

(4) *Buffer-stock agreements.*—British proposals for nonrestrictive ICA's to operate buffer stocks of several basic commodities, designed to keep fluctuations in prices of individual commodities within moderate bounds, have not withstood the critical scrutiny of American experts. They are rightly regarded as overambitions for early application and risky, if not dangerous, in various ways. The several limited experiments with buffer stocks of tin, before and during the international tin control scheme, yield warnings rather than clear promise. In the

near future, tin will be so scarce that no opportunity for constituting a buffer stock of this metal is in sight.⁷

The idea nevertheless persists that, on a larger scale and under different auspices, buffer stocks might nevertheless be made to serve the purpose of moderating the violence of price fluctuations without restricting efficient producers for the sake of the inefficient and without impeding the operation of expansive forces. While a buffer-stock scheme could probably be made essentially adaptive rather than restrictive, it can also be abused for purposes of price-rigging. Experience with tin demonstrates that producing interests cannot be expected to operate buffer stocks in the interest of the world at large. For this reason such interests should not be given exclusive or even dominant command over their operation.

Not every commodity market is suitable for the application of such a scheme. To promise genuine success, several other requirements must be reasonably satisfied. Productive capacity and average world requirements must be in approximate balance, and buffer-stock operations should not be allowed to disturb this balance. Exporting countries should refrain from subsidizing exports of the commodity or its substitutes. Finally, there must be definite agreement on the ultimate liquidation of accumulated stocks should the scheme be abandoned.

(5) *Marketing-opportunity agreements.*—Another desirable type of ICA would be designed to assure market outlets for specific commodities of special importance to countries with weak post-war economies, including liberated and ex-enemy countries. Wartime shortages and pressures have stimulated other sources of these products and substitutes for several of them, including natural rubber, quinine, kapok, hemp, and raw silk. We have to expect post-war pressures to preserve and/or expand the war-stimulated sources of supply and the industries producing the substitute commodities. Yet the restoration of the economies of liberated and ex-enemy countries is essential to world peace and prosperity, and this will require the revival of exports of products in which these countries have great comparative advantages. Even the ex-enemy countries will urgently need foreign markets for such goods, especially in view of the restrictions sure to be imposed upon them in the interest of reparations and the preservation of peace.

Some such agreements might go no further than to assure, for a period of at least several years, duty-free and quota-free entry of such commodities, and severe limitation or complete avoidance of direct and indirect subsidies to competing commodities whether in production or exports. Some agreements might go further and assure minimum volume purchases, possibly in some instances for national-defense stock piles. Their importance lies in the fact that the post-war world economy will need strengthening in its weakest national components, if the nations which emerged strong are to maintain a healthy strength.

One example may be cited. Japan has long been the low-cost producer of silk, which has met increasingly severe competition from new fibers, notably nylon. To an extent not yet generally realized it will be important that the post-war Japanese be given opportunity to make a decent living despite the imposition of necessary restraints on Japan's war-making or other aggressive potential. It will be in the interest of the people of the world that silk growing elsewhere be not protected or subsidized, that the advances of competing fibers be given no special stimuli, and that Japanese silk be assured a welcome as a continuing member of the family of fibers, holding such place as fair intercommodity competition will permit. A marketing-opportunity I. C. A., containing specific provisions designed to this end, could contribute toward the normal recovery of the Japanese economy, the durability of peace, and higher satisfaction of human wants for goods.

In conclusion, the composition of international commodity agencies under non-restrictive I. C. A.'s should be quite different from most of those hitherto existing. Generally, they have represented either the financial interests concerned with the production of the commodity—as in the cases of tin, rubber, and tea—or departments of the Government chiefly concerned with national agricultural policy or

⁷ K. E. Knorr, *Tin under Control* (Food Research Institute Commodity Policy Studies 5, Stanford University, Calif., January 1945), *passim*. Yates believes that a buffer-stock agreement for tin, to be applied when conditions permit its initiation, might serve the needs of the next few years without more than transitional resort to restrictive measures such as were characteristic of international tin control in 1931-39 (P. L. Yates, *Commodity Control: A Study of Primary Control*, London, 1943, pp. 153-56). Knorr (*op. cit.*, pp. 289-94) is more skeptical.

with dependencies. The former have tended to be too single-minded in considering their own interests. The latter have been too timid in the face of existing national policies, too restricted by red tape and formalities, and too prone to continue and reinforce existing Government controls. Even in rare cases, very limited influence has been accorded industrial consumers of the commodity who have an important stake in such arrangements. Conspicuously frozen out, as a rule, have been trading interests, which tend to be eager for larger and freer trade; independent economists, who are characteristically freest to consider the general interest; and able persons of unquestioned public spirit without any personal interest involved. Such groups as these should be strongly represented in the make-up of administrative bodies under future I. C. A.'s of either restrictive or nonrestrictive types.

No possible expansion of I. C. A.'s can meet the urgent need for larger and freer international trade and better coordination of national policies that affect both trade and the cause of peace. There is much need for a multilateral trade agreement covering many countries and commodities, for the work of such an agency as the proposed United Nations Trade Commission,⁸ and for more specialized agencies such as the proposed food and agriculture organization. Only within such a framework, conforming to its purposes, and broadly subsidiary to its organs, can I. C. A.'s and their administrative bodies make their constructive contributions to international collaboration.

⁸ P. W. Bidwell, *A Commercial Policy for the United Nations* (Committee on International Economic Policy in cooperation with Carnegie Endowment for International Peace, New York, 1945).

